UCLA

ANNUAL FINANCIAL REPORT

2021-2022

Photo by *Don Liebig/ASUCLA*, Kindness Day

Photo courtesy of *UCLA*

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LETTER FROM THE CHANCELLOR

Photo by *David Esquivel/UCLA*, Katelyn Ohashi and Chancellor Gene D. Block

For many members of the UCLA community, the 2021-22 fiscal year marked either a wondrous new beginning or a great homecoming: After nearly a year and a half of remote learning brought about by the COVID-19 pandemic, our university welcomed students, faculty and staff back to campus for in-person work and instruction at the start of the 2021 fall quarter.

Nearly 20,000 freshmen, sophomores and transfer students — members of one of the most diverse and academically excellent incoming classes in UCLA's 102-year history — set foot on campus for the first time as Bruins. Upperclassmen and employees, meanwhile, experienced a much-anticipated reunion with friends and familiar places.

Even as we began the academic year with the return to in-person learning and activities, of course, our campus community remained conscious of the continued impacts and evolving nature of the COVID-19 pandemic. With health and safety top of mind, UCLA instituted new protocols and procedures including implementing UC's vaccination requirement for all students, faculty and staff living, teaching or working on campus.

With so many students, faculty and staff experiencing UCLA and Westwood for the very first time, this fiscal year we partnered with the Westwood Village Improvement Association to introduce Bruins to the community around them and to help revitalize this treasured and historic neighborhood. Beginning on the first day of classes and continuing throughout the school year, we found ways for Bruins to connect with one another and with Westwood, including through a monthly event series called First Thursdays, organized by UCLA Strategic Communications (pictured below). On the first Thursday of each month, students and community members gathered on Broxton Avenue to learn more about campus services during the day and to experience free entertainment during lively block parties at night.

Photo by *Matt Harbicht/UCLA*

The return to campus also meant resuming our important tradition of in-person community service with UCLA's 13th annual Volunteer Day. Approximately 1,500 students, employees and alumni participated at 39 sites throughout the Los Angeles region. Volunteer Day is one of my favorite UCLA traditions, and it was heartwarming to see so many Bruins partnering with civic organizations, local businesses and schools to give back in meaningful ways including gardening, street cleanup, beautification projects and more.

While our campus community was able to reconvene for many much-loved UCLA traditions and experiences; the impacts of COVID-19 remained present in our lives. In light of this, in addition to remaining vigilant about public health, we endeavored to provide spaces for Bruins to heal and reflect.

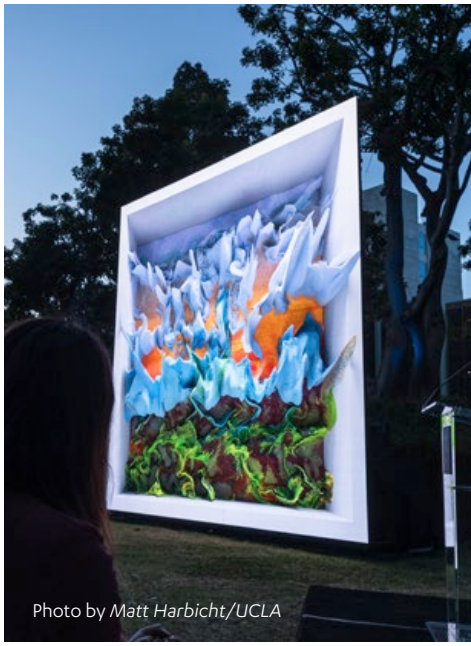


Photo by *Matt Harbicht/UCLA*

During spring quarter, more than one thousand Bruins came together to pause for a campuswide moment of reflection and renewal at the UCLA Franklin D. Murphy Sculpture Garden. This event featured the unveiling of a new art installation by UCLA alumnus and renowned media artist Refik Anadol (see image on the right). It was a meaningful opportunity for community members to connect, look back on the challenges presented by the past few years and share our hope for brighter days ahead. UCLA also participated in a citywide COVID-19 memorial, lighting Royce Hall and Powell Library blue to recognize the workers who stepped up to respond to the pandemic and to honor those who lost their lives to COVID-19.

"Even with all the changes we are experiencing, UCLA remains a powerful force for good, guided by our public mission of teaching, research and service. It is clear that there is a sense of renewed optimism and a commitment to our important work that is deeper than ever."

Gene D. Block

Even through times that challenged us all, I am grateful that UCLA's donor community continued to show strong support for our university's important mission. Through the generous help of new donors and lifelong supporters, UCLA raised $658 million in gifts and pledges this fiscal year. While major gifts were important, we also saw exceptionally broad support: of a total of nearly 74,000 gifts, 94% were of less than $10,000. All of these generous gifts and pledges will contribute to elevating student initiatives, strengthening campus programs, providing scholarships, creating and spreading knowledge, and advancing timely research across the disciplines.

UCLA also drew an outstanding $1.72 billion in external research funding this year, marking the seventh record-breaking year for our campus. This achievement is a testament to the hard work, dedication and innovative ideas of our faculty, academic staff and student researchers. They develop solutions that address society's most challenging issues and improve the quality of life in communities across the globe.

We had even more to celebrate this year on the rankings front. UCLA was ranked the number one public university by *U.S. News & World Report* for the sixth straight year, and we were recognized as the highest-ranked public university for veterans as well. UCLA also received the top spot in Niche's "Best College Food" rankings for the second year in a row.

Of course, while rankings are a nice feather in our cap, our real focus is on the impact we have upon those we serve. It is part of UCLA's responsibility as a public institution to welcome people of all backgrounds, honor their intellectual and cultural contributions, and support their success. In this vein, over the past year, we made strides towards meeting our goal of becoming federally designated as a Hispanic-Serving Institution (HSI). Our HSI Task Force produced a thorough report with recommendations for how we can reach and maintain this goal, including directing resources toward outreach efforts and improving yield and retention rates for Latinx students. In June, we welcomed alumna Elizabeth Gonzalez, a longtime expert on equity and student success in higher education, who will play a key role in these efforts as our inaugural HSI director.

To better support our Native American and Pacific Islander community, this year UCLA launched the Native American and Pacific Islander Bruins Rising Initiative. Building upon the University of California's Native American Opportunity Plan, which will ensure that in-state tuition and fees for California students from federally recognized Native American tribes are fully covered by grants or scholarships, the Bruins Rising Initiative includes a series of investments to enhance UCLA's intellectual community devoted to Native American and Pacific Islander peoples, create more inclusive and equitable student experiences, and provide meaningful support for staff.

Making it easier for our students to live on or near campus — and thus more easily take advantage of all UCLA has to offer — will also help us maximize our impact. In the fall of 2021 we completed construction on two new residence halls on the Hill, Olympic and Centennial, which provide an additional 1,800 new beds for students who want to enjoy the benefits of living on campus. We also added approximately 3,125 new beds with the opening of a 17-story high-rise called Gayley Heights as well as the Laurel and Tipuana apartment buildings. The opening of these new housing facilities contributed to UCLA meeting its goal of guaranteeing four years of housing to any first-year student who wants it or two years to any transfer student.

In other exciting news, UCLA acquired two sites associated with the former Marymount California University in Rancho Palos Verdes and San Pedro, 30 miles south of Westwood (see image to the right). This largest land acquisition in our school's history will enable us to enroll up to 1,000 more students — possibly in specialty or themed academic programs on the campus — as well as strengthen our connections to the greater Los Angeles region.

On the athletics front, UCLA and our crosstown rival, USC, announced we would leave the Pac-12 athletic conference and join the Big Ten conference starting in the 2024-25 season. While this was a difficult decision given UCLA's longstanding ties to the Pac-12, joining the Big Ten will bring Bruins new opportunities and a larger national platform on which to compete and showcase their talents. It will also help ensure that we can preserve our athletics program's 25 teams and continue offering excellent resources to all student-athletes, from academic support to mental health and wellness services.

Finally, we welcomed a few outstanding administrators to our leadership team this fiscal year:

- Darnell Hunt was named our new executive vice chancellor and provost. A member of our sociology faculty since 2001, he previously served as dean of the division of social sciences in the UCLA College and director of the Ralph J. Bunche Center for African American Studies. In his new role as our chief academic officer, he is responsible for administering campus operations and stewarding our academic enterprise.

- Alexandra Minna Stern is our new dean of the division of humanities. She was most recently the associate dean for the humanities and the Carroll Smith-Rosenberg Collegiate Professor of American Culture at the University of Michigan. She is widely recognized as an expert on the history of eugenics, genetics, society and justice in the United States and Latin America.

Even with all the changes we are experiencing, UCLA remains a powerful force for good, guided by our public mission of teaching, research and service. It is clear that there is a sense of renewed optimism and a commitment to our important work that is deeper than ever.

Courtesy of Marymount California University

I extend my gratitude to our students for staying committed to their education, to our faculty for their dedication to advancing student success and academic inquiry, and to our staff for keeping our campus moving forward in so many ways. I hope you take as much pride in UCLA's accomplishments during this fiscal year as I do.

Together, we will continue paving a path where current and future Bruins thrive — and where UCLA'S impact is felt across the globe.

Sincerely,

Gene D. Block
Chancellor

CAMPUS AND FINANCIAL HIGHLIGHTS

Photo by *Don Liebig/ASUCLA*, Desirae Barragan at New Mural Unveiling

CAMPUS AND FINANCIAL HIGHLIGHTS

Years ended, 2022 and 2021 (in millions of dollars)	2022	2021
CAMPUS LAND AREA	476 acres	470 acres
ENROLLMENT - FALL QUARTER		
Undergraduates	32,122	31,636
Graduates, and Interns and Residents	15,397	14,364
EMPLOYEE COUNT		
Full-Time Equivalent	38,440	38,118
NET POSITION		
Beginning of Year	$336	$(1,131)
End of Year	$(1,408)	$336
ASSETS:		
Total Current Assets	$2,974	$2,945
Total Noncurrent Assets and Deferred Outflows	$17,193	$17,575
	$20,167	$20,520
LIABILITIES:		
Total Current Liabilities	$2,334	$2,303
Total Noncurrent Liabilities and Deferred Inflows	$19,241	$17,881
	$21,575	$20,184
REVENUE:		
Operating Revenue	$9,048	$8,071
Nonoperating Revenue (Primary Activities)	$1,504	$1,122
	$10,552	$9,193
Principal Sources of Operating Revenue:		
Student Tuition and Fees	$975	$891
Grants and Contracts	$1,306	$1,188
Sales and Services	$6,550	$5,789
Principal Sources of Nonoperating Revenue:		
State Educational Appropriations	$696	$454
EXPENDITURES:		
Operating Expense	$10,598	$9,203
Nonoperating Expense (Primary Activities)	$298	$189
	$10,896	$9,392
Principal Operating Expenditures:		
Salaries and Wages	$4,482	$4,194
Benefits	$2,290	$1,849
Supplies and Materials	$1,420	$1,281

MANAGEMENT'S DISCUSSION AND ANALYSIS

Photo by *Reed Hutchinson/UCLA*, Volunteer Day

The objective of Management's Discussion and Analysis (MD&A) is to help readers of the University of California Los Angeles' (UCLA's) financial statements better understand the financial position and operating activities for the year ended June 30, 2022, with selected comparative information for the years ended June 30, 2021 and 2020. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes to the financial statements. Unless otherwise indicated, years (2020, 2021, 2022, etc.) in this discussion refer to the fiscal years ended June 30.

UCLA is one of 10 campuses within the University of California system (the University). The UCLA Annual Financial Report, while not separately audited, is prepared from the official University of California records and accounts, which are maintained in accordance with the standards prescribed by the Governmental Accounting Standards Board (GASB). The three basic financial statements in this report—the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows—encompass the UCLA campus and its discretely presented components, the UCLA Foundation and the Jonsson Cancer Center Foundation (JCCF). The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements. However, the MD&A and the notes to the financial statements focus mainly on the campus; information relating to The UCLA Foundation and the Jonsson Cancer Center Foundation can be found in separately issued audited financial statements at www.uclafoundation.org and www.cancer.ucla.edu. Also, audited financial statements for the UCLA Medical Center are in the University of California's combined medical centers report, available at https://www.ucop.edu/uc-controller/financial-reports/medical-center-financial-reports.html.

The University of California

The University of California, one of the largest and most acclaimed institutions of higher learning in the world, is dedicated to excellence in teaching, research, health care, and public service. The University encompasses ten campuses, five medical centers, four law schools, and a statewide Division of Agricultural and Natural Resources. The University is also involved in the operation and management of three national laboratories for the U.S. Department of Energy (DOE). The consolidated audited financial report of the University of California is available at http://www.universityofcalifornia.edu/reportingtransparency.

The Los Angeles Campus of the University of California

UCLA was founded in 1919 and is financially the largest campus in the 10-campus University of California system, with an annual budget of approximately $10.2 billion. The financial statements included in this annual report encompass the following:

Campus – The Los Angeles campus spans 476 acres and is devoted to undergraduate and graduate scholarship serving over 47,500 students in the following schools:

College of Letters and Science
General
Humanities
Institute of the Environment & Sustainability
International Institute
Life Sciences
Physical Sciences
Social Sciences

Health Sciences Programs
David Geffen School of Medicine
Jonathan and Karin Fielding School of Public Health
School of Dentistry
School of Nursing
Semel Institute for Neuroscience and Human Behavior

Professional Schools
School of Education & Information Studies
Henry Samueli School of Engineering & Applied Sciences
John E. Anderson School of Management
Meyer and Renee Luskin School of Public Affairs
School of Law
School of the Arts and Architecture
School of Theater, Film and Television
Herb Alpert School of Music

Basic Biomedical Sciences
Letters and Science: Basic Biomedical Sciences
Medicine: Basic Biomedical Sciences

During the 2021-22 academic year, UCLA offered approximately 7,100 undergraduate and graduate courses in 187 subject areas, producing more than 447,000 enrollments in primary classes and 231,000 enrollments in laboratory and discussion sections. Known for academic excellence, many of UCLA's programs are rated among the best in the nation, and some are among the best in the world. Few universities offer the range and diversity of academic programs available to UCLA students.

The campus' mission also includes a strong dedication to research and public service. The UCLA community focuses on environmental issues, economic and social policy concerns, public education reform, and the cost of health care and medical advances. More than 7,200 research projects are being conducted on campus at any given time. For 2022, UCLA expenditures for research were approximately $1.10 billion. UCLA was ranked the No. 1 public university in the country by *U.S. News & World Report* for the sixth year in a row.

UCLA Extension offers the public over 4,500 continuing education courses annually, covering professional and career development, academic enrichment, and personal growth, attracting over 39,000 individual students from the communities of Southern California and worldwide.

UCLA employed over 48,700 faculty, administrators and staff (including casual and student employees), filling approximately 38,400 full-time-equivalent positions, and spent $6.8 billion in compensation costs for the fiscal year ended June 30, 2022. UCLA's employees are distinguished for their contributions to education, research, and public service.

Distinguished honors and awards to UCLA alumni and faculty include the following:

- Three alumni awarded Nobel Prizes for chemistry (1951, 1984, 2010), two for economics (1990, 2009), two for physiology or medicine (2013, 2021), and one for peace (1950)
- Four faculty members awarded Nobel Prizes for chemistry (1960, 1987, 1997, 2016), two for physics (1965, 2020), one for physiology or medicine (1998), and one for economic sciences (2012)
- Eleven alumni awarded Rhodes Scholarships (1936, 1948, 1955, 1962, 1969, 1971, 1973, 1997, 2009, 2010)
- Eleven faculty members and two alumni awarded the President's National Medal of Science from the National Science Foundation (1964, 1965, 1966, 1970, 1989, 1991, 1993, 1994, 1996, 1999, 2007, 2011)
- One faculty member awarded the Fields Medal for Outstanding Discoveries in Mathematics from the International Congress of the International Mathematical Union (2006)
- Four alumni, two faculty, and one staff members awarded the Presidential Medal of Freedom (1963, 1984, 1993, 2000, 2003, 2016)

The Center for the Art of Performance at UCLA, the Fowler Museum at UCLA, the Hammer Museum, and the UCLA Film & Television Archive provide both academic programs and a wide array of public events second to none.

During the fiscal year 2022, UCLA's on-campus physical plant included 3 new on-campus buildings under construction, along with 224 existing buildings. Off campus, UCLA owns or manages 168 buildings and has 195 existing leases for various programmatic activities. UCLA has 22 libraries, housing more than 12 million volumes, a cogeneration power plant, the Luskin Conference Center, the UCLA Conference Center at Lake Arrowhead, on-campus student housing for more than 11,000 undergraduates, off-campus student and faculty apartments, and more.

UCLA Health System is comprised of Ronald Reagan UCLA Medical Center, UCLA Medical Center Santa Monica, Resnick Neuropsychiatric Hospital at UCLA, UCLA Mattel Children's Hospital, and the many UCLA Faculty Practice Groups. With its wide-reaching system of primary-care and specialty-care offices throughout the region, UCLA Health System is among the most comprehensive and advanced health care systems in the world. UCLA Health hospitals ranked in the top 5, and for 33 consecutive years earned coveted placement on the 2022-23 *U.S. News & World Report* Best Hospitals national honor roll, a distinction reserved for only the 20 hospitals with the highest-quality care. It is nationally ranked in 14 adult and 7 pediatric specialties and rated high performing in 17 adult procedures and conditions. The UCLA Medical Center comprises the primary teaching hospitals for the David Geffen School of Medicine at UCLA. Information relating to UCLA Health System can be found at http://www.uclahealth.org.

Key Operating metrics for the UCLA Medical Center for the fiscal years ended June 30 are as follows:

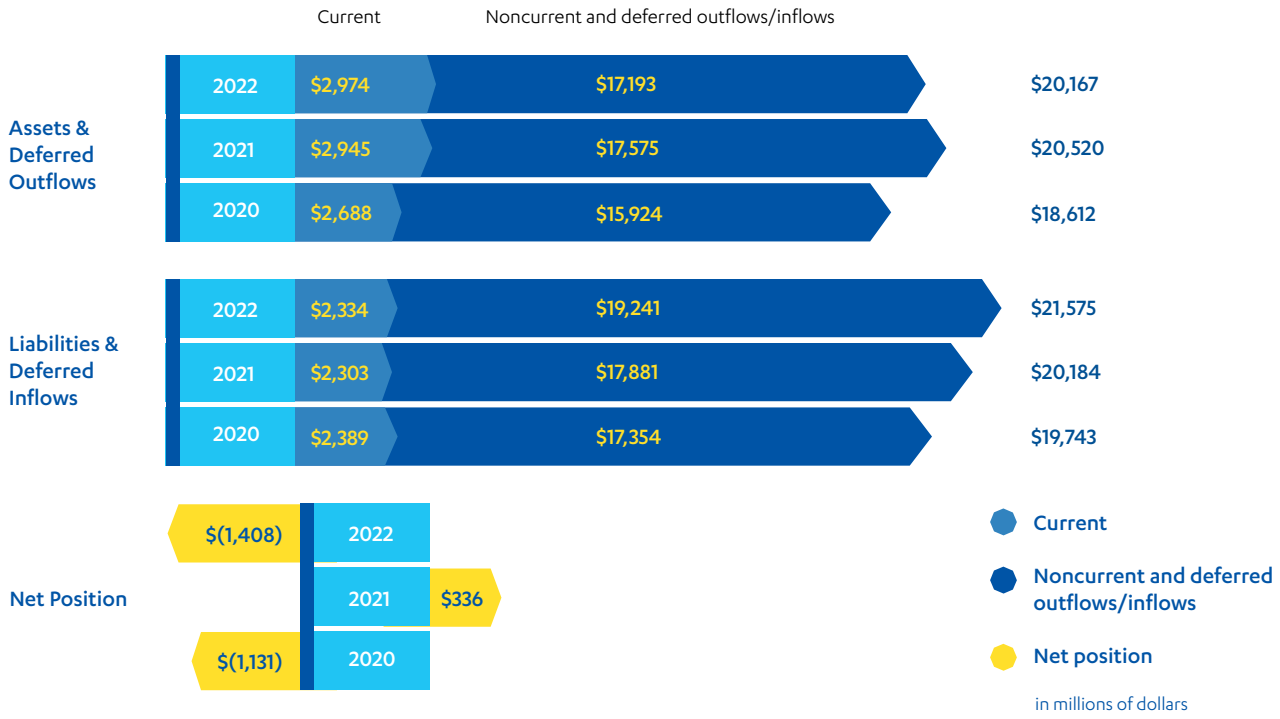
			Increase / (Decrease)	
	2022	**2021**	**Amount**	**%**
Operating Statistics				
Licensed beds	801	801		
Admissions	37,742	35,691	2,051	5.7%
Average daily census	745	698	47	6.7%
Discharges	37,689	35,617	2,072	5.8%
Average length of stay	7.20	7.20		
Patient days	271,855	254,777	17,078	6.7%
Case mix index	2.29	2.36	(0.07)	(3.0)%
Outpatient visits	872,507	821,898	50,609	6.2%
Outpatient Visits				
Hospitals and clinics	798,793	760,969	37,824	5.0%
Emergency visits	73,714	60,929	12,785	21.0%
Total	**872,507**	**821,898**	**50,609**	**6.2%**

An Overview – The following table reflects the composition of UCLA for 2022, listing enrollment figures, full-time-equivalent employee figures, and operating expenses by organization.

(in millions of dollars)	Undergraduates	Graduates, Interns and Residents	Full Time Equivalent (Includes Students)	Salaries and Wages	Benefits	Other Expenditures	Total Expenditures
Organizations	**Fall Enrollment**		**Employees**		**Operating Expenses**		
College of Letters and Science	25,681	3,151	3,590	$400	$192	$117	$709
School of Dentistry		499	328	39	18	19	76
School of Education & Information Studies	52	806	315	38	18	17	73
School of Engineering & Applied Science	4,041	2,502	880	101	51	38	190
School of Law		1,399	340	51	25	36	112
School of Management		2,356	462	75	37	57	169
School of Medicine		2,275	9,462	1,449	635	945	3,029
School of Music	408	154	151	17	8	6	31
School of Nursing	203	380	120	14	8	5	27
School of Public Affairs	184	597	235	29	15	14	58
School of Public Health		725	335	39	20	25	84
School of the Arts and Architecture	576	322	433	36	18	10	64
School of Theater, Film and Television	350	231	186	20	10	7	37
Basic Biomedical Sciences	627		187	20	11	14	45
Medical Center			10,442	1,184	612	1,390	3,186
Medical Group			2,785	261	158	323	742
Neuropsychiatric Hospital			397	45	29	16	90
Semel Institute			788	77	42	43	162
University Extension			324	37	18	26	81
All Others			6,680	550	364	202	1,116
Subtotal Organizations	32,122	15,397	38,440	4,482	2,289	3,310	10,081
Depreciation Expense						494	494
Impairment of Capital Assets						5	5
Other Operational Expenditures						18	18
Total	**32,122**	**15,397**	**38,440**	**$4,482**	**$2,289**	**$3,827**	**$10,598**

THE CAMPUS' FINANCIAL POSITION

The University implemented a new accounting standard for leases, Government Accounting Standards Board (GASB) Statement No. 87, *Leases* (GASB 87). This accounting standard provides recognition and measurement standards for financings of the right to use an underlying asset. Financial information for 2021 and 2020 has been restated to retroactively apply this new accounting standard.



The Statement of Net Position presents the financial position of UCLA at the end of each year. It displays all of UCLA's assets, deferred outflows, liabilities, deferred inflows and net position. The difference between assets, deferred outflows, liabilities, and deferred inflows is net position. The major components of the Statement of Net Position as of June 30, 2022, 2021, and 2020 are as follows:

Assets, Deferred Outflows & Inflows, Liabilities, Net Position

(in millions of dollars)	**2022**	**2021**	**2020**
ASSETS			
Investments	$8,182	$8,779	$6,441
Accounts receivable, net	1,266	1,144	977
Capital assets, net	7,816	7,934	7,602
Other assets	370	389	365
Total assets	**17,634**	**18,246**	**15,385**
DEFERRED OUTFLOWS OF RESOURCES	**2,533**	**2,274**	**3,227**
LIABILITIES			
Debt, including commercial paper	6,412	5,989	4,866
Net pension liability, including pension payable to UCOP	5,923	2,670	5,765
Net retiree health benefits liability	4,412	5,491	5,188
Other liabilities	2,036	1,999	1,868
Total liabilities	**18,783**	**16,149**	**17,687**
DEFERRED INFLOWS OF RESOURCES	**2,792**	**4,035**	**2,056**
NET POSITION			
Net investment in capital assets	1,967	2,574	2,979
Restricted:			
Nonexpendable	347	345	333
Expendable	2,154	2,294	1,689
Unrestricted	(5,876)	(4,877)	(6,132)
Total net position	**$(1,408)**	**$336**	**$(1,131)**

The campus' assets and deferred outflows

UCLA's assets and deferred outflows of resources totaled $20.2 billion in 2022, compared to $20.5 billion in 2021 and $18.6 billion in 2020. Net capital assets have decreased due to depreciation and disposals in excess of continued investments in facilities. Investments decreased in 2022 due to negative financial market returns. Deferred outflows have fluctuated primarily due to changes in UCLA's net pension and retiree health benefits liabilities.

Investments

Investments held by the University are principally carried in four investment pools: the Short Term Investment Pool (STIP), the Total Return Investment Pool (TRIP), the Blue and Gold Pool (BGP), and the General Endowment Pool (GEP). Cash for operations are invested in STIP. The University uses STIP to meet operational liquidity needs. TRIP provides the opportunity to enhance returns on long-term capital by taking advantage of the economies of scale of investing in a large pool across a broad range of asset classes. The University maximizes its use of TRIP while still maintaining sufficient funds in STIP to meet operational and liquidity needs. BGP was created to enhance returns by passively investing funds in the equity and fixed-income markets while still maintaining liquidity. The investment policy for TRIP is balanced between equities and fixed income while the investment policy for BGP is more heavily weighted toward equities. GEP is a balanced portfolio and the primary investment vehicle for individual endowments and funds functioning as endowments.

The University utilizes asset allocation strategies that are intended to optimize investment returns over time in accordance with investment objectives and at acceptable levels of risk. GEP had returns of (7.6) percent in 2022, 33.7 percent in 2021 and 5.0 percent in 2020. BGP had a (5.0) percent return from July 1, 2019 through April 30, 2020, when the pool was liquidated. BGP restarted in October, 2021 and had a negative return of (15.2) percent in 2022. TRIP had returns of (11.3) percent, 21.2 percent and 1.7 percent in 2022, 2021, and 2020, respectively. STIP had positive returns of 0.4 percent, 0.8 percent and 2.1 percent in 2022, 2021, and 2020, respectively.

Capital assets, net

UCLA's enrollment growth and continuing needs for renewal, modernization and seismic correction of existing facilities are the key drivers of capital investments. Capital spending continued at a brisk pace in order to provide the facilities necessary to support UCLA's teaching, research, and public service mission and for patient care. Capital spending includes constructing and renovating academic buildings, research laboratories, libraries, student services, parking structures, and infrastructure projects. Total additions to capital assets were $617 million in 2022 as compared to $882 million in 2021 and $914 million in 2020. Completed buildings and improvements in 2022 include Centennial Hall and Olympic Hall, formerly Lot 15 Building Residence Halls (housing for undergraduate students) additions for $216 million, 10995 Le Conte Apartments (housing for upper-division undergraduate students) renovation for $173 million, Southwest Campus Apartments (housing for graduate and upper-division undergraduate students) renovation for $311 million, and Botany Building renovation for $34 million. Acquisitions in 2022 include Midway Hospital Building for $59 million, and Santa Monica Medical Office Building for $88 million.

Major projects under construction include Midway Hospital Building with cumulative costs of $54 million.

Other assets

Other assets include cash, investments held by trustees, pledge receivables, note and mortgage receivables, and inventories.

Deferred outflows of resources

Changes in fair values of the University's interest rate swaps that are determined to be hedging derivatives, losses on debt refundings, asset retirement obligations and certain changes in the net pension and net retiree health benefits liabilities are reported as deferred outflows of resources. In 2022, deferred outflows increased due to lower than expected investment returns for the University of California Retirement Plan (UCRP) portfolio. In 2021, deferred outflows decreased due to higher than expected investment returns for the UCRP portfolio.

The campus' liabilities and deferred inflows

UCLA's liabilities and deferred inflows of resources increased to $21.6 billion in 2022 as compared to $20.2 billion in 2021 and $19.7 billion in 2020. The change in 2022 was primarily related to the increase in the liability for pension benefits. In 2021, the liability for pension benefits decreased and deferred inflows increased due to favorable market performance in the UCRP investment portfolio.

Debt, including commercial paper

Capital assets are financed from a variety of sources, including equity contributions, state support, gifts, revenue bonds, bank loans, and leases. Commercial paper and bank loans provide interim financing for capital assets during the construction period. Outstanding debt increased by $0.4 billion and $1.1 billion in 2022 and 2021, respectively.

UCLA's debt, which is used to primarily finance capital assets, includes $37 million, $19 million, and $279 million of commercial paper outstanding at the end of 2022, 2021, and 2020, respectively. Total debt outstanding was $6.4 billion at the end of 2022 compared to $6.0 billion and $4.9 billion at the end of 2021 and 2020, respectively.

In 2022, Medical Center Revenue Bonds of $400 million were issued for operations and $234 million to finance the acquisition, construction, improvement and renovation of certain facilities at UCLA's medical centers. Reductions to outstanding debt include $179 million for scheduled principal payments.

The University's General Revenue Bond ratings are currently affirmed at Aa2, AA and AA by Moody's Investors Service, Standard & Poor's and Fitch, respectively, all with stable outlooks. The University's Limited Project Revenue Bonds and Medical Center Pooled Revenue Bonds are currently affirmed at Aa3, AA- and AA- by Moody's Investors Service, Standard & Poor's and Fitch, respectively, all with stable outlooks.

Commercial paper borrowings increased by $18 million in 2022 compared to 2021, and decreased by $260 million in 2021 compared to 2020. Commercial paper is primarily used as interim financing for construction projects and short-term financing for other needs. Commercial paper fluctuates based upon the timing of refinancing construction projects with the issuance of long-term revenue bonds. The University has various revolving credit agreements totaling $700 million with major financial institutions for the purpose of providing additional liquidity for certain variable-rate bonds, commercial paper, and other liquidity needs.

Net pension liability and retiree health benefits

The University has a financial responsibility for pension benefits associated with its defined benefit plans and for retiree health benefits. UCLA's net pension liability was $4.5 billion, $1.5 billion, and $4.7 billion in 2022, 2021, and 2020, respectively. The changes were driven by investment returns for the UCRP portfolio. In 2022, market performance was unfavorable compared to expected returns, and in 2021, market performance was favorable compared to expected returns. The total investment rate of return for UCRP was (10.8) percent in 2022, 30.5 percent in 2021 and 1.7 percent in 2020. The discount rate used to estimate the net pension liability was 6.75 percent in 2022, 2021 and 2020, respectively.

UCLA's net retiree health benefits liability was $4.4 billion, $5.5 billion, and $5.2 billion in 2022, 2021, and 2020, respectively. While retiree health benefits are not a legal obligation of the University and can be canceled or modified at any time, accounting standards require the University to recognize a net retiree health liability based on the current practices of providing such benefits. The University funds the retiree health benefits through the University of California Retiree Health Benefit Trust (UCRHBT) based on a projection of benefits on a pay-as-you-go basis, and the assets in the trust are not currently sufficient to fund retiree health benefits. Therefore, the Bond Buyer 20-year tax-exempt general obligation municipal-bond index rate is used to discount the retiree health benefits liabilities. The changes in the net retiree health benefits liabilities in both 2022 and 2021 were primarily driven by the changes in the discount rates. The discount rates as of June 30, 2022, 2021 and 2020 were 3.54 percent, 2.16 percent and 2.21 percent, respectively.

Other liabilities

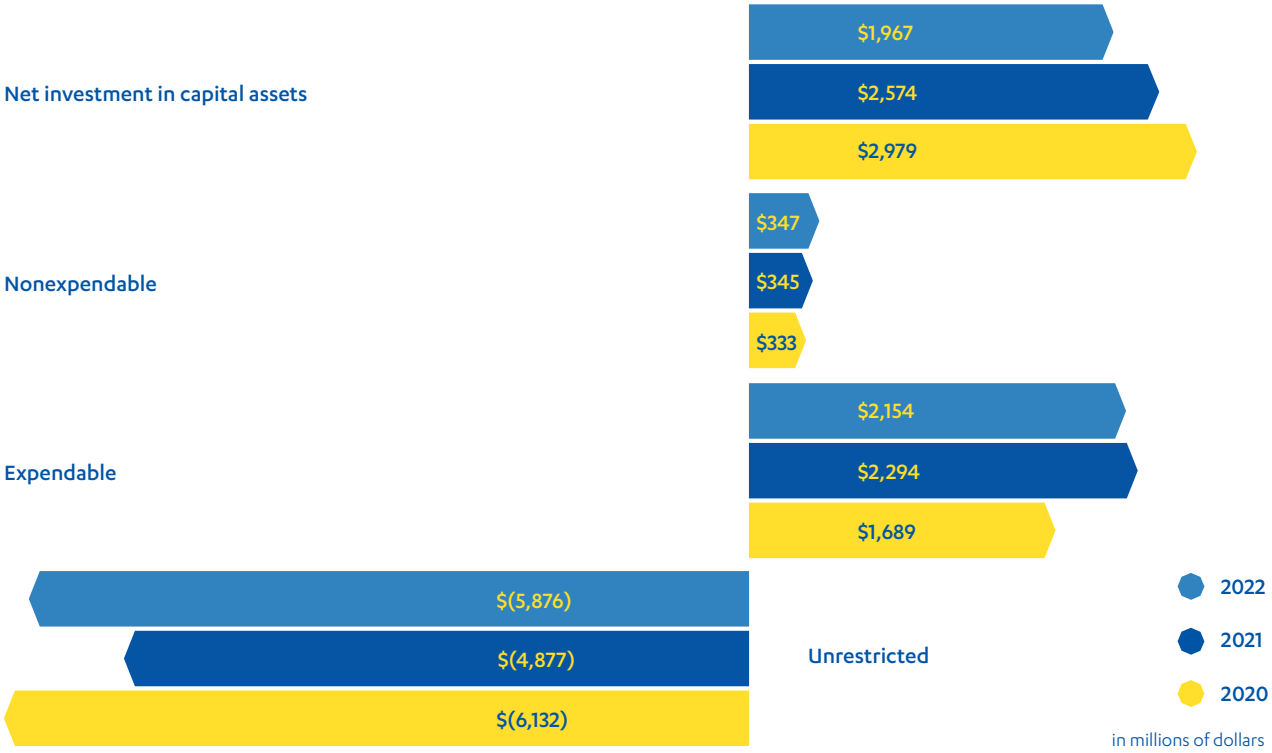
Other liabilities consist of accounts payable, accrued salaries, other employee benefits, unearned revenue, and federal refundable loans. Centers for Medicare & Medicaid Services (CMS) modified the advance payment program for health care providers as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and UCLA Medical Center received advances under this program. Accrued salaries changes were due to the timing of payroll and benefit payments.

Deferred inflows of resources

Deferred inflows of resources are related to gains on debt refundings, sales of certain future patent royalty revenues, and certain changes in the net pension and net retiree health benefits liabilities. Changes in deferred inflows of resources were primarily due to fluctuations in the net pension liability related to investment market performance and the retiree health liability as a result of changes in the discount rate.

THE CAMPUS' NET POSITION

Net position represents the residual interest in UCLA's assets and deferred outflows after all liabilities and deferred inflows are deducted. UCLA's net position was $(1,408) million in 2022, compared to $336 million in 2021 and $(1,131) million in 2020. Net position is reported in the following categories: net investment in capital assets; restricted, nonexpendable; restricted, expendable; and unrestricted.



Net investment in capital assets

The portion of net position invested in capital assets, net of accumulated depreciation and the related outstanding debt used to finance the acquisition, construction, or improvement of these capital assets, was $2.0 billion in 2022 compared to $2.6 billion in 2021 and $3.0 billion in 2020. To support its growth, UCLA continues to invest in its physical facilities, and financing with debt is used for a significant portion of the investments. Net investment in capital assets decreased in 2022 by $0.6 billion due to depreciation and disposals outpacing non-financed capital spending.

Restricted, nonexpendable

Restricted, nonexpendable net position includes the corpus of UCLA's permanent endowments as well as minority interests. In 2022 and 2021, the increases in restricted nonexpendable net position was principally due to the receipt of new gifts.

Restricted, expendable

Restricted expendable net position is subject to externally imposed restrictions governing its use. Net position may be spent only in accordance with the restrictions placed upon it and may include endowment income and gains, subject to UCLA's spending policy; support received from gifts, state or federal appropriations; and trustee-held investments. The increases or decreases in restricted expendable funds are principally due to the timing of spending restricted gifts and endowment income and gains.

Unrestricted

Net position that is not subject to externally imposed restrictions governing its use is classified as unrestricted for financial reporting purposes. Unrestricted net position is negative due primarily to obligations for pension and retiree health benefits exceeding UCLA's assets available to pay such obligations. Although unrestricted net position is not subject to externally imposed restrictions, substantially all of the University's unrestricted net position is allocated for academic and research initiatives or programs, for capital projects or for other purposes.

THE CAMPUS' RESULTS OF OPERATIONS

The Statement of Revenues, Expenses, and Changes in Net Position present the campus' operating results and indicates whether the financial condition has improved or deteriorated. In accordance with GASB requirements, certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of the campus are required to be recorded as nonoperating revenues, including state educational appropriations, private gifts, and investment income. A summarized comparison of the operating results for 2022, 2021, and 2020, arranged in a format that matches the revenue supporting the primary activities of UCLA with the expenses associated with these primary activities, is as follows:

Photo courtesy of *UCLA*. This image represents the anonymous gift of $13.5 million that created the UCLA Rothman Family Institute for Food Studies, an interdisciplinary institute devoted to research, teaching and policy about food.

Results of Operations 2020-2022

	2022			2021			2020		
(in millions of dollars)	Operating	Non-operating	Total	Operating	Non-operating	Total	Operating	Non-operating	Total
REVENUES									
Student tuition and fees, net	$975		$975	$891		$891	$916		$916
State educational appropriations		$696	696		$454	454		$536	536
Direct government grants		136	136		64	64		146	146
Federal Pell Grants		51	51		53	53		55	55
Grants and contracts, net	1,306		1,306	1,188		1,188	1,080		1,080
Medical center, net	3,321		3,321	3,128		3,128	2,976		2,976
Educational activities, net	2,790		2,790	2,497		2,497	2,146		2,146
Auxiliary enterprises, net	439		439	164		164	381		381
Private gifts, net		404	404		405	405		365	365
Investment income, net		137	137		123	123		137	137
Other revenues	217	80	297	203	23	226	236	13	249
Revenues supporting primary activities	**9,048**	**1,504**	**10,552**	**8,071**	**1,122**	**9,193**	**7,735**	**1,252**	**8,987**
EXPENSES									
Salaries and wages	4,482		4,482	4,194		4,194	4,074		4,074
Pension benefits	942		942	372		372	1,187		1,187
Retiree health benefits	256		256	409		409	357		357
Other employee benefits	1,092		1,092	1,068		1,068	1,020		1,020
Scholarships and fellowships	205		205	181		181	174		174
Utilities	85		85	61		61	59		59
Supplies and materials	1,420		1,420	1,281		1,281	1,131		1,131
Depreciation and amortization	494		494	496		496	490		490
Interest expense		204	204		177	177		167	167
Other expenses	1,622	94	1,716	1,141	12	1,153	1,209	68	1,277
Expenses associated with primary activities	**10,598**	**298**	**10,896**	**9,203**	**189**	**9,392**	**9,701**	**235**	**9,936**
Income (loss) from primary activities	**(1,550)**	**1,206**	**(344)**	**(1,132)**	**933**	**(199)**	**(1,966)**	**1,017**	**(949)**
OTHER NONOPERATING ACTIVITIES									
Net appreciation (depreciation) in fair value of investments			(982)			1,339			(40)
Income (loss) before other changes in net position			**(1,326)**			**1,140**			**(989)**
OTHER CHANGES IN NET POSITION									
State capital appropriations			1						
Capital gifts and grants, net			22			28			34
Additions to permanent endowments			4			9			8
Transfers			(445)			290			(307)
Increase (decrease) in net position			**(1,744)**			**1,467**			**(1,254)**
NET POSITION									
Beginning of year, as previously reported			336			(1,131)			107
Cumulative effect of accounting change									16
Beginning of year, as restated			336			(1,131)			123
End of year			**$(1,408)**			**$336**			**$(1,131)**

REVENUES SUPPORTING PRIMARY ACTIVITIES

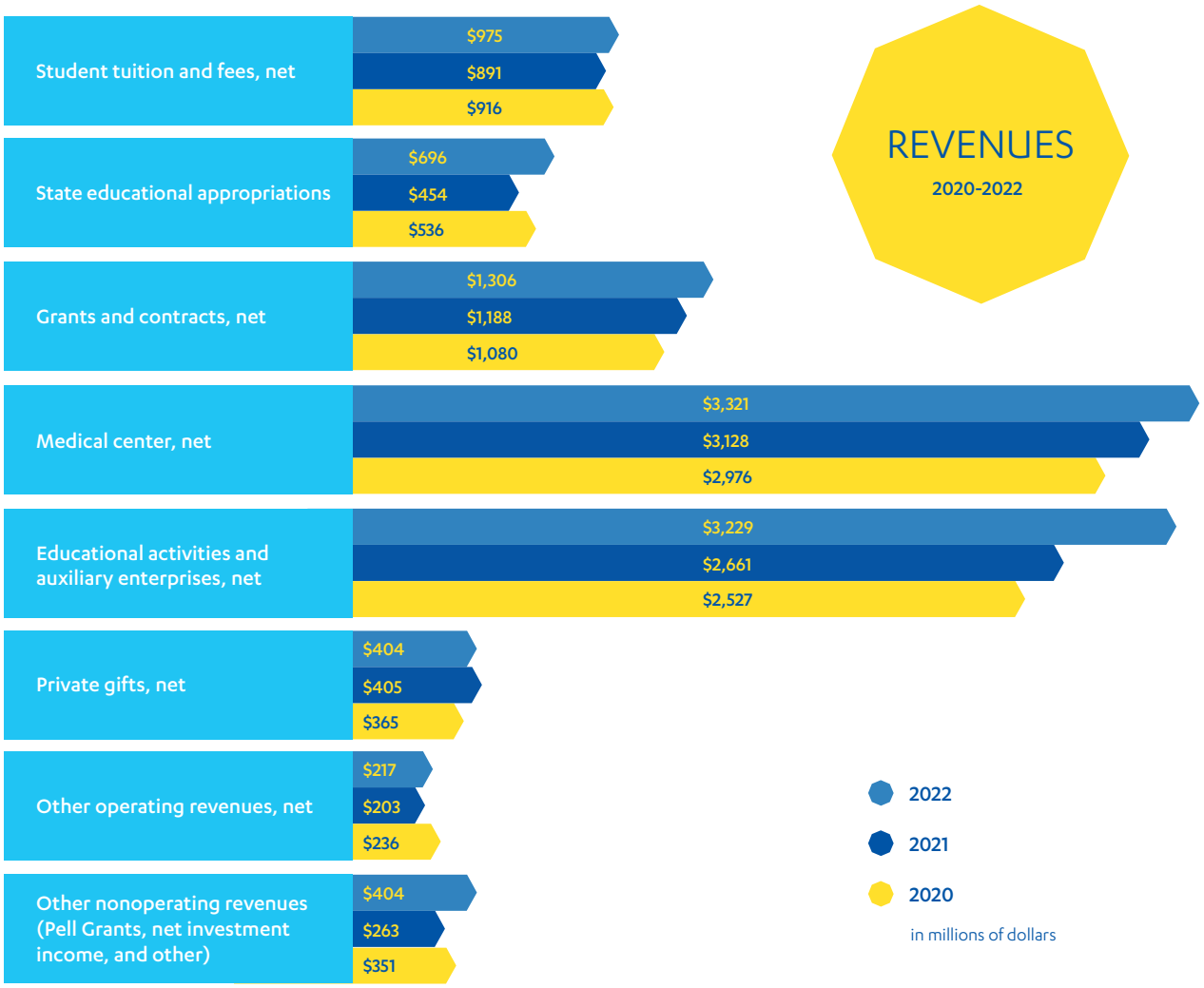
Revenues to support UCLA's primary activities, including those classified as nonoperating revenues, were $10.6 billion, $9.2 billion, and $9.0 billion in 2022, 2021, and 2020, respectively. These diversified sources of revenue increased by $1,359 million in 2022 and $206 million in 2021.

The state of California's educational appropriations, in conjunction with student tuition and fees, are the main components that support the instructional mission of UCLA. Grants and contracts provide opportunities for undergraduate and graduate students to participate in basic research alongside some of the most prominent researchers in the country.

Gifts to the campus allow crucial flexibility to faculty for support of their fundamental activities or new academic initiatives. Other significant revenues are from the medical center, educational activities, and auxiliary enterprises such as student housing, food service operations, and parking.

For 2022, in-person classes resumed in person starting in fall 2021. For 2021, substantially all courses were held online and as a result, occupancy in campus housing was significantly lower than capacity. The growth in certain revenues slowed in 2020 due to the impacts of COVID-19. Revenues in the various categories have changed as follows:

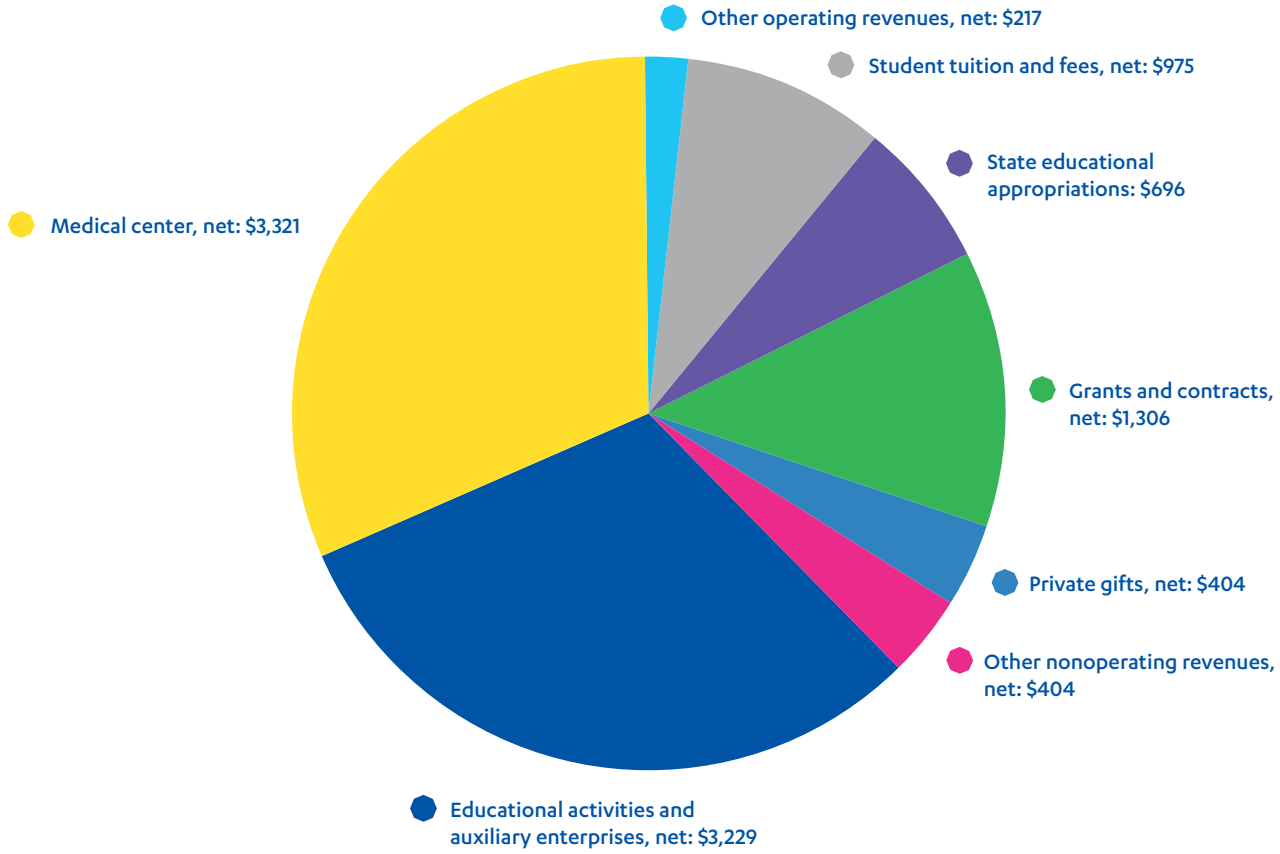
Revenues



A major financial strength of UCLA is its diverse source of revenues, including those from student fees, federally sponsored grants and contracts, the medical center, the state of California, private support, and auxiliary enterprises. The variety of fund sources has become increasingly important over the past several years.

Categories of both operating and nonoperating revenue that supported UCLA's primary activities in 2022 are as follows:

2022 Revenues *(in millions of dollars)*



Student tuition and fees, net

Net student tuition and fees were $975 million, $891 million, and $916 million in 2022, 2021, and 2020, respectively. Scholarship allowances, or financial aid, are the difference between the stated charge for tuition and fees and the amount that is paid by the student and third parties on behalf of the student. Scholarship allowances, netted against student tuition and fees, were $232 million, $252 million, and $232 million in 2022, 2021, and 2020, respectively. Student tuition and fees, net of scholarship allowances, increased by $84 million in 2022 and decreased by $25 million in 2021. Decreases in 2021 were due to COVID-19 pandemic, and increases reflect campus' return to full enrollment for 2022.

Student tuition and fees, net

(in millions of dollars)	**2022**	**2021**	**2020**
Student tuition and fees	$1,079	$1,015	$1,015
Summer sessions	50	52	54
University Extension	78	76	79
Scholarship allowance	(232)	(252)	(232)
Total	**$975**	**$891**	**$916**

In 2022, enrollment grew by 3.30 percent, and in 2021, enrollment increased slightly by 0.15 percent. Mandatory tuition for resident undergraduates remained the same in 2022 and 2021. Certain graduate students experienced increases in mandatory tuition and fees. Professional degree supplemental tuition varies by discipline; certain increases were approved by the Regents for 2022, 2021, and 2020.

State educational appropriations

Educational appropriations from the state of California were $696 million, $454 million, and $536 million in 2022, 2021, and 2020, respectively. State educational appropriations increased in 2022 by $242 million due to a restoration of state support cut during the prior year, a further base budget increase and new one-time funds for deferred maintenance and other purposes. State educational appropriation decreased in 2021 by $82 million due to state cuts related to the pandemic.

Direct government grants

In 2022, 2021 and 2020, UCLA received funds under certain provisions of the Coronavirus Aid, Relief, and Economic Security (CARES), Coronavirus Response & Relief Supplemental Appropriations (CRRSA), and American Rescue Plan (ARP) Acts to minimize the impacts of lost revenues and increased expenses related to COVID-19. The campus received $103 million, $64 million, and $47 million in 2022, 2021, and 2020, respectively, in grants to provide emergency financial aid to students and to mitigate the impacts of lost revenue and additional technology expenses associated with moving to online education. UCLA Medical Center received $6 million and $99 million in 2022 and 2020, respectively, in CARES Act provider relief funding for lost health care revenues and additional expenses for treating patients with COVID-19. UCLA Medical Center did not receive such funding in 2021. In 2022, UCLA Medical Center received designated public hospital grants of $27 million in support of their health care expenditures.

Grants and contracts, net

Revenue from federal, state, private, and local government grants and contracts — including an overall facilities and administration cost recovery of $245 million, $223 million, and $211 million in 2022, 2021, and 2020, respectively — was $1,306 million, $1,188 million, and $1,080 million in 2022, 2021, and 2020, respectively.

In 2022, federal grants and contracts revenue increased $50 million, or 6.7 percent, as compared to 2021. In 2021, federal grants and contracts revenue increased $86 million, or 13.0 percent, as compared to 2020. Federal grants and contracts include federal facilities and administrative cost recovery of $172 million, $158 million, and $147 million in 2022, 2021, and 2020, respectively. Changes in the federal budget impact UCLA's growth in federal grants and contracts.

Grants and Contracts

(in millions of dollars)	**2022**	**2021**	**2020**
Federal government	$800	$750	$664
State agencies	108	67	66
Private industries	316	295	277
Local government	82	76	73
Total	**$1,306**	**$1,188**	**$1,080**

Medical center, net

Medical center revenues, net of allowances, increased $193 million, or 6.2 percent, in 2022 and increased $152 million, or 5.1 percent, in 2021. Revenues growth in 2022 and 2021 was the result of increases in both inpatient and outpatient volumes.

Educational activities and auxiliary enterprises, net

Revenue from educational activities, primarily medical professional fees, net of allowances, increased by $293 million, or 11.7 percent, in 2022 and increased by $351 million, or 16.4 percent, in 2021, due to higher patient volumes.

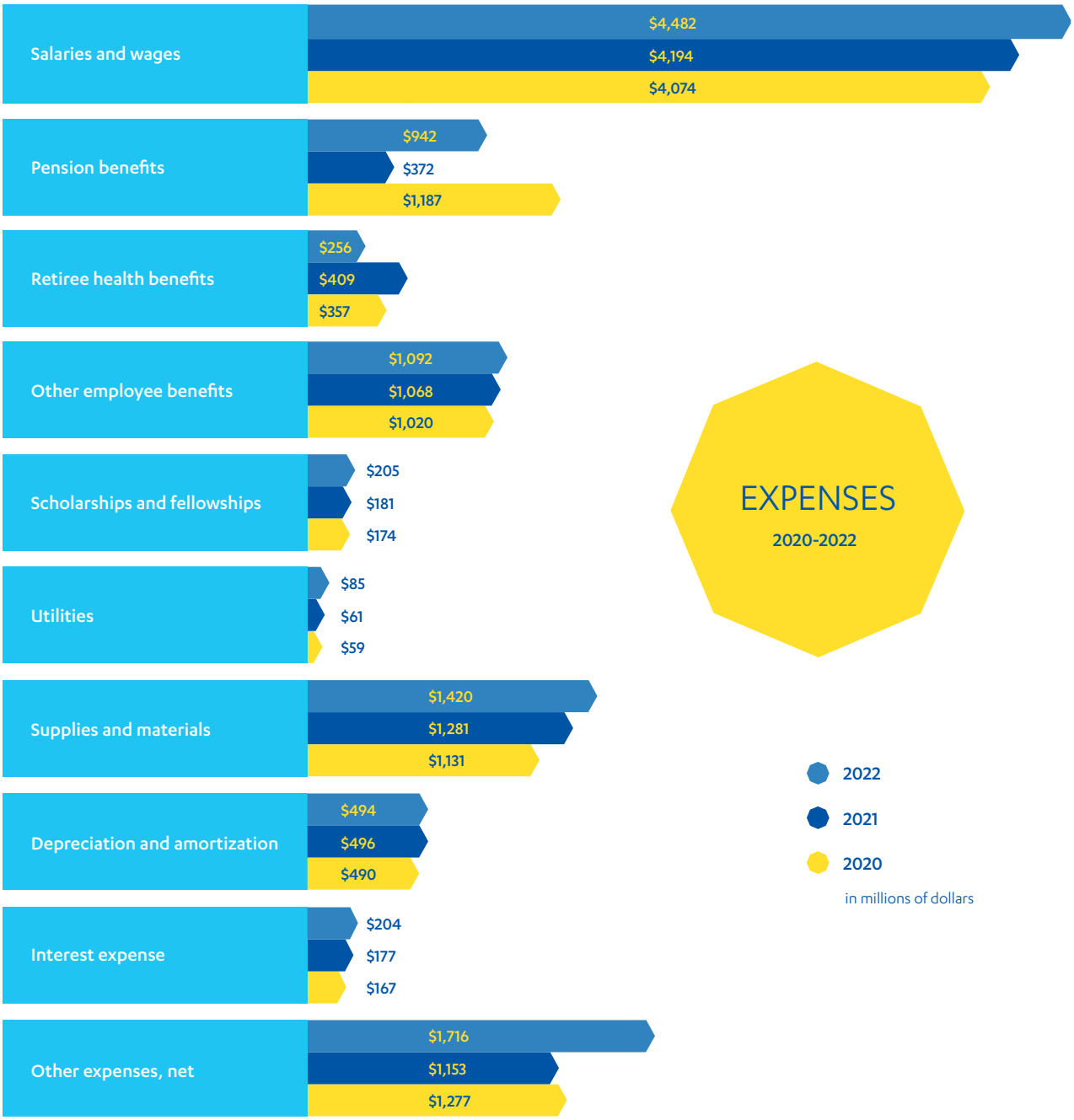
Auxiliary enterprises include housing, food service, parking, bookstores, the student center, union, and child-care centers. Revenue from auxiliary enterprises, net of allowances, increased by $275 million, or 168.0 percent, in 2022 as in-person classes resumed in person starting in fall 2021. Revenues for auxiliary enterprises decreased by $217 million, or 57.0 percent, in 2021 due to state and local limitations on occupancy for housing and dining facilities.

EXPENSES ASSOCIATED WITH PRIMARY ACTIVITIES

Expenses associated with UCLA's primary activities, including those classified as nonoperating expenses, were $10.9 billion, $9.4 billion, and $9.9 billion in 2022, 2021, and 2020, respectively. These expenses increased in 2022 by $1.5 billion and decreased in 2021 by $544 million. UCLA's operations continued to grow, principally at the medical center, and expenses increased consistent with the overall growth in operations. In 2022, pension expenses increased due to lower than expected returns and retiree health benefits expense decreased due to a higher discount rate. In 2021, pension expenses, representing the largest change, decreased by $815 million due to favorable market performance in the UCRP investment portfolio.

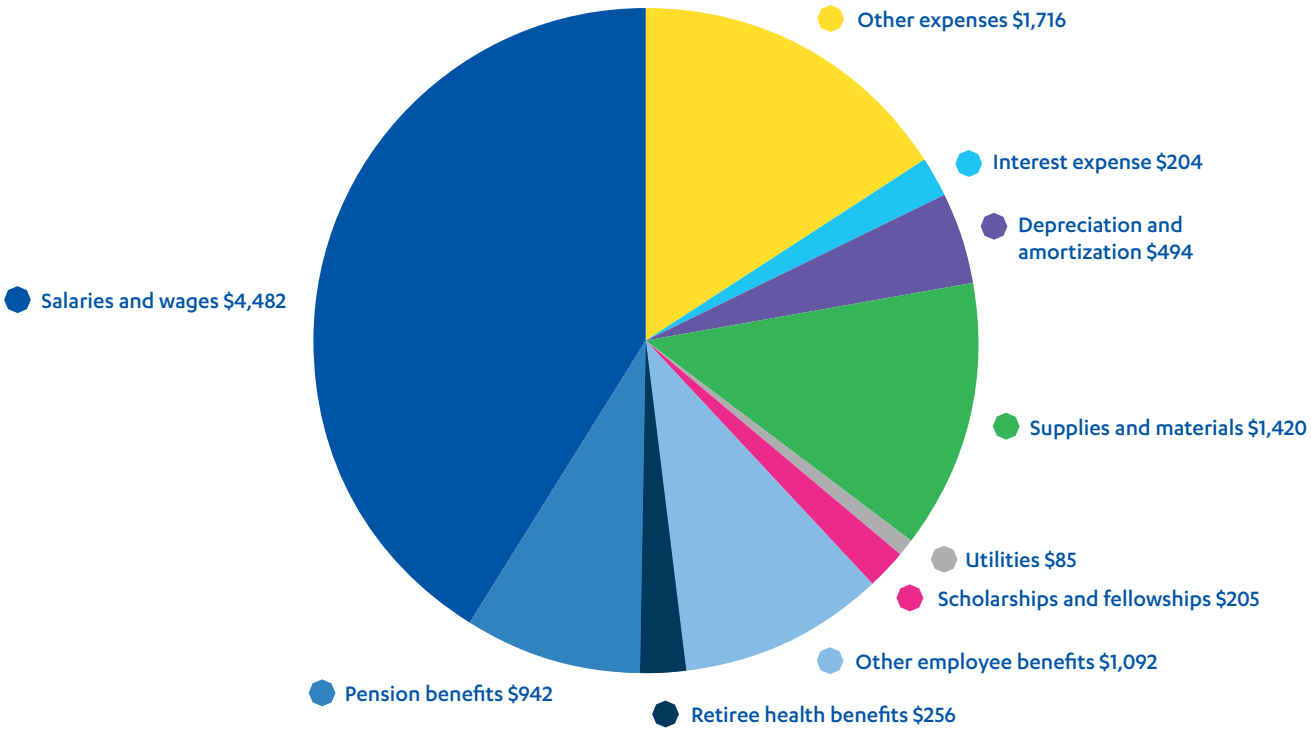
Expenses in the various categories are as follows:

Expenses



Categories of both operating and nonoperating expenses related to UCLA's primary activities in 2022 are as follows:

2022 Expenses *(in millions of dollars)*



Salaries and benefits

Approximately two-thirds of UCLA's expenses are related to salaries and benefits. There were 38,440 full-time equivalent (FTE) employees in 2022, as compared to 38,118 FTEs in 2021. Total salaries and benefits increased by 12.1 percent in 2022, primarily driven by the increase in pension expense of $570 million and salaries and wages of $288 million. Total salaries and benefits expense decreased by 9.0 percent in 2021, primarily driven by the changes in pension expenses.

In 2022, salaries increased by 6.9 percent, comprised of an increase in the number of FTEs and an increase in the average salary per FTE. In 2022, employee benefits, excluding pension and retiree health care benefits, increased by $24 million, or 2.2 percent. Pension expense increased by $570 million due to lower-than-expected investment returns. Retiree health benefits expense decreased by $153 million, or 37.4 percent, due to the increase in the discount rate.

In 2021, salaries increased by 2.9 percent, comprised of a decrease in the number of FTEs and an increase in the average salary per FTE. As a means to manage the workforce during the 2021 academic year when virtually all classes were held online and housing occupancy was limited, UCLA used a variety of programs, such as redeploying workers to other positions, delaying hiring and instituting temporary layoffs, resulting in a slight decrease in FTEs. Employee benefits, excluding pension and retiree health care benefits, increased by $48 million, or 4.7 percent in 2021, since UCLA continued to provide certain benefits to employees, including those that were temporarily laid

off. Pension expense decreased by $815 million, or 68.7 percent, due to higher than expected investment returns. Retiree health benefits expense increased by $52 million, or 14.6 percent, due to a decrease in the discount rate.

Scholarships and fellowships

UCLA places a high priority on student financial aid as part of its commitment to affordability. Financial aid in all forms awarded by UCLA were $489 million, $449 million, and $448 million in 2022, 2021, and 2020, respectively. Scholarship allowances which are netted against student tuition and fees were $284 million, $268 million, and $274 million in 2022, 2021, and 2020, respectively. Scholarships and fellowships expense, representing payments of financial aid made directly to students and reported as an operating expense, were $205 million, $181 million, and $174 million in 2022, 2021, and 2020, respectively. On a combined basis, as UCLA continues its commitment to provide financial support for needy students, financial aid in all forms increased by $40 million, or 8.8 percent, in 2022 as compared to 2021, and by $0.6 million, or 0.1 percent, in 2021 as compared to 2020. Increases in financial aid, scholarships and fellowships in 2021 slowed since virtually all classes were held online and housing occupancy was limited. Increases in financial aid, scholarships and fellowships in 2022 are consistent with increases in enrollment, tuition, fees and housing costs. UCLA's practice is to minimize the impact of cost increases on first-generation and low-income students. Financial aid includes direct payments to students of $47.2 million, $20.9 million, and $14 million in 2022, 2021, and 2020, respectively, related to funds received under the CARES, CRRSA, and ARP Acts.

Supplies and materials

During 2022 and 2021, supplies and materials costs increased by $139 million, or 10.9 percent, and $150 million, or 13.3 percent, respectively. The largest increases occurred at the medical centers due to increased patient volumes. In 2022, supply costs also increased for research activities related to increased federal contract and grant activities. In 2021 and 2020, the need for personal protective, laboratory and cleaning supplies due to the outbreak of COVID-19 caused significant increases in supplies expense. In recent years, there has been inflationary pressure on the costs for medical supplies and laboratory instruments and higher costs for general supplies necessary to support expanded medical patient volumes. UCLA continues to find opportunities to manage the costs of supplies and materials.

Other expenses

Other expenses consist of a variety of expense categories, including travel, rent, insurance, legal settlements, and repairs and maintenance, plus any gain or loss on disposals of capital assets and other nonoperating expenses.

Operating losses

In accordance with the GASB's reporting standards, operating losses were $1.6 billion, $1.1 billion, and $2.0 billion in 2022, 2021, and 2020, respectively. The operating losses in 2022, 2021, and 2020 were offset by $1,206 million, $933 million, and $1,017 million, respectively, of net nonoperating revenue that supports primary operating activities of UCLA. Expenses exceeded revenues associated with primary activities by $344 million, $199 million, and $949 million in 2022, 2021, and 2020, respectively. In 2022, the fluctuations have been primarily driven by changes in pension and retiree health benefits expenses. In 2021, the net loss was due to limited housing occupancy and increased expenses as a result of COVID-19, offset by a decrease in pension expense due to favorable market performance in the UCRP investment portfolio.

Other nonoperating activities

UCLA's other nonoperating activities, consisting of net appreciation or depreciation in the fair value of investments, are noncash transactions and, therefore, are not available to support operating expenses. In 2022, UCLA recognized net depreciation in the fair value of investments of $982 million. In 2021, UCLA recognized net appreciation in the fair value of investments of $1,339 million, as compared to net depreciation of $40 million in 2020. UCLA's portfolio returns fluctuate with the overall performance in the investment markets.

Other changes in net position

Similar to the other nonoperating activities discussed above, other changes in net position are also not available to support UCLA's operating expenses in the current year. State capital appropriations and capital gifts and grants may only be used for the purchase or construction of the specified capital assets. Only income earned from gifts of permanent endowments is available in future years to support the specified program.

THE CAMPUS' CASH FLOWS

The Statement of Cash Flows presents the significant sources and uses of cash. A summary comparison of cash flows for 2022 and 2021 is as follows:

The Campus' Cash Flows

Cash flows *(in millions of dollars)*	**2022**	**2021**	**Change**
Cash received from operations	$8,802	$8,229	$573
Cash payments for operations	(9,202)	(8,493)	(709)
Net cash used by operating activities	**(400)**	**(264)**	**(136)**
Net cash provided by noncapital financing activities	1,264	1,050	214
Net cash provided by operating and noncapital financing activities	**864**	**786**	**78**
Net cash provided (used) by capital and related financing activities	(671)	188	(859)
Net cash provided (used) by investing activities	(271)	(927)	656
Net increase in cash and cash equivalent	**(78)**	**47**	**(125)**
Cash and cash equivalent, beginning of year	1,558	1,511	47
Cash and cash equivalent, end of year	**$1,480**	**$1,558**	**$(78)**

UCLA's cash in demand-deposit accounts is minimized by sweeping available cash balances into investment accounts managed by the Office of the President on a daily basis. Cash provided by operating and noncapital financing activities ranged between $864 million and $786 million for the last two years. In accordance with GASB requirements, certain cash flows relied upon for fundamental operational support of the core instruction mission of the campus are reported as noncapital financing activities, including state educational appropriations, and private gifts and grants.

Net cash of $671 million was used in 2022 for capital and related financing activities, primarily for purchases of capital assets, and principal and interest payments, partially offset by proceeds from debt issuance and commercial paper financing.

Net cash of $271 million was used in 2022 for investing activities. The year-to-year change in cash used by investing activities is largely the result of routine timing of investment purchases, sales, and investment income. In 2022, UCLA invested $650 million into BGP. This purchase was partially funded by redeeming $200 million of TRIP. Additionally, UCLA elected to withdraw $107 million of TRIP to meet increased liquidity needs.

LOOKING FORWARD - FACTORS IMPACTING FUTURE PERIODS

The Governor signed SB-154 on June 27, 2022, and AB-178 on June 30, 2022; together, these bills constitute the 2022-23 State Budget Act. For 2022-23, State funds allocated to the University totaled $5.1 billion, including $360.3 million in new, ongoing funding (an increase of approximately 8.9 percent over 2021-22) and $754.1 million in one-time support. Of this one-time funding, $125.0 million is intended to address deferred maintenance across the system and $185.0 million will support climate research. In addition, the Governor's budget reflects the first year of a multi-year compact with the University for sustained ongoing funding.

The multi-year compact provides for UC to receive annual 5.0 percent base budget adjustments through 2026-27, as long as progress is made towards specified policy goals. In addition to the University's main appropriation, the State Budget included $389.0 million in one-time funds for specific student housing projects through the Higher Education Student Housing Grant Program.

For UCLA, the Permanent State General Fund allocation totaled $580.2 million for fiscal year 2022-23 amounting to an increase of $42 million to UCLA's ongoing support.

The UCLA Medical Center continues to face financial and competitive challenges in its regional markets, along with the added costs and responsibilities related to its function as an academic institution. The demand for health care services and the cost of providing them continue to increase significantly. In addition to the rising costs of salaries, benefits, and medical supplies faced by hospitals across the state, along with the costs of maintaining and upgrading facilities, UCLA's medical centers also face additional costs associated with seismic retrofitting, new technologies, biomedical research, the education and training of health care professionals and the care for a significant share of the medically underserved in California. Other than Medicare and Medi-Cal (California's Medicaid program), health insurance payments do not recognize the added cost of teaching in their payment to academic medical centers. The growth in costs of the publicly funded programs and health care reform will likely continue to reduce rates or limit payment growth, placing downward pressure on operating results for the medical centers.

UCLA must have a balanced array of many categories of facilities to meet its education, research and public service goals and continues to assess its long-term capital requirements. Support for UCLA's capital program is expected to be provided from a combination of sources, including the state of California, external financing, gifts and other sources.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information provided by UCLA, including written as outlined above or oral statements made by its representatives, may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, which address activities, events or developments that UCLA expects or anticipates will or may occur in the future, contain forward-looking information.

In reviewing such information, it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information. This forward-looking information is based upon various factors and was derived using various assumptions. UCLA does not undertake to update forward-looking information contained in this report or elsewhere to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking information.

Photo by *David Esquivel/UCLA*, Royce Hall lit for Pride

TRANSMITTAL LETTER

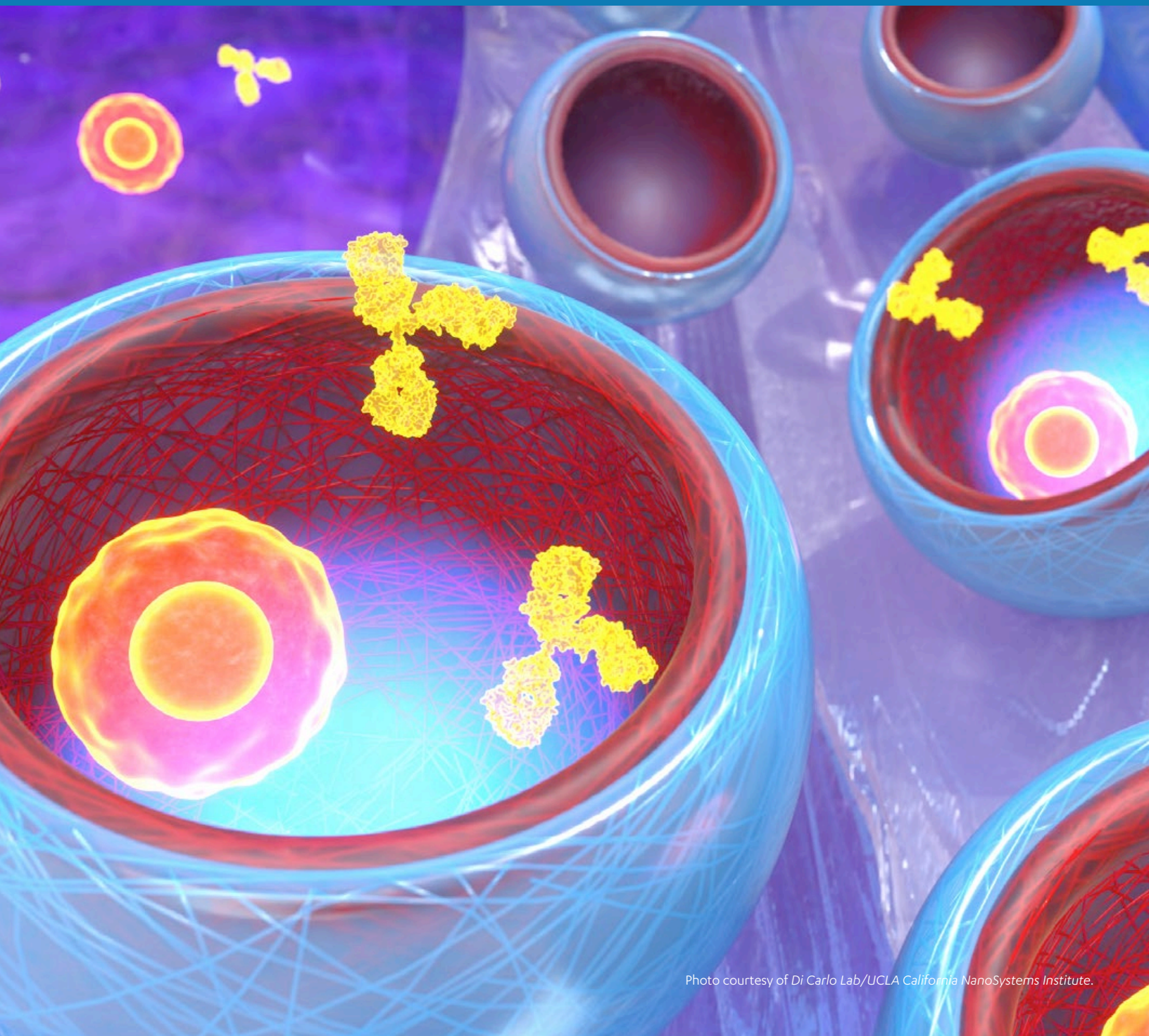


Photo courtesy of *Di Carlo Lab/UCLA California NanoSystems Institute.*

Photo by *Artem Podrex/Pexels.com*

The accompanying Financial Statements reflect the financial position and the results of operations of the University of California, Los Angeles (UCLA), for the fiscal years ended June 30, 2022 and 2021.

The UCLA Financial Statements are not individually audited, but rather are audited as part of the Consolidated Annual Financial Report of the University of California by the firm of PricewaterhouseCoopers, whose report is transmitted to The Regents.

The accompanying Financial Statements and Management's Discussion and Analysis detail only local campus activity. This separate UCLA Annual Financial Report, while not separately audited, is prepared from the official University of California records and accounts, which are maintained in accordance with the standards prescribed by the Governmental Accounting Standards Board (GASB).

In compliance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, the financial activity of the legally separate, tax-exempt UCLA Foundation and the Jonsson Cancer Center Foundation can be found discretely recorded on the campus' financial statements under a separate column titled "Foundations."

Respectfully submitted,

S. Martin

Selina Martin
Controller
Business & Finance Solutions

FINANCIAL STATEMENTS

Photo by *Felicia Caldwell/UCLA*, New Residential Buildings

UNIVERSITY OF CALIFORNIA, LOS ANGELES
STATEMENTS OF NET POSITION (UNAUDITED)

	CAMPUS		FOUNDATIONS	
At June 30, 2022 and 2021 (in thousands of dollars)	**2022**	**2021**	**2022**	**2021**
ASSETS				
Cash	$9,016	$4,630	$68,234	$7,607
Short-term investments	1,471,073	1,553,825	748,877	511,034
Investments held by trustees	179	182		
Accounts receivable, net	1,266,007	1,143,596	12,899	25,983
Pledges receivable, net	22,797	35,194	103,963	81,734
Current portion of notes and mortgages receivable, net	5,511	6,276		
Inventories	113,198	112,516		
Other current assets	86,675	88,581		
Current assets	**2,974,456**	**2,944,800**	**933,973**	**626,358**
Investments	6,711,040	7,224,860	3,394,463	3,709,692
Investments held by trustees	796	794		
Pledges receivable, net	11,708	14,875	306,150	372,308
Notes and mortgages receivable, net	63,934	64,048		
Capital assets, net	7,815,959	7,934,007		
Other noncurrent assets	55,967	62,878	11,869	14,561
Noncurrent assets	**14,659,404**	**15,301,462**	**3,712,482**	**4,096,561**
Total assets	**17,633,860**	**18,246,262**	**4,646,455**	**4,722,919**
DEFERRED OUTFLOWS OF RESOURCES	**2,533,067**	**2,273,728**		
LIABILITIES				
Accounts payable	704,786	632,250	37,165	9,020
Accrued salaries	40,072	29,536		
Employee benefits	169,743	136,279		
Unearned revenue	420,424	353,027	2,723	5,614
Commercial paper	37,026	19,467		
Current portion of long-term debt	541,330	625,260		
Other current liabilities	420,327	506,849	9,538	11,756
Current liabilities	**2,333,708**	**2,302,668**	**49,426**	**26,390**
Federal refundable loans	51,100	55,893		
Obligations under life income agreements			29,954	35,182
Long-term debt	5,833,404	5,344,541		
Net pension liability	4,548,172	1,510,346		
Pension payable to UCOP	1,374,408	1,159,619		
Net retiree health benefits liability	4,412,002	5,491,283		
Other noncurrent liabilities	229,948	285,103		
Noncurrent liabilities	**16,449,034**	**13,846,785**	**29,954**	**35,182**
Total liabilities	**18,782,742**	**16,149,453**	**79,380**	**61,572**
DEFERRED INFLOWS OF RESOURCES	**2,792,495**	**4,034,736**	**36,331**	**56,772**
NET POSITION				
Net investment in capital assets	1,966,615	2,574,326		
Restricted:				
Nonexpendable	347,246	344,749	1,735,220	1,604,267
Expendable	2,154,326	2,293,630	1,862,545	2,229,684
Unrestricted	(5,876,497)	(4,876,904)	932,979	770,624
Total net position	**$(1,408,310)**	**$335,801**	**$4,530,744**	**$4,604,575**

See accompanying notes to financial statements.

UNIVERSITY OF CALIFORNIA, LOS ANGELES
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (UNAUDITED)

	CAMPUS		FOUNDATIONS	
Years Ended June 30, 2022 and 2021 (in thousands of dollars)	**2022**	**2021**	**2022**	**2021**
OPERATING REVENUES				
Student tuition and fees, net	$974,963	$891,450		
Grants and contracts, net:				
Federal	799,817	750,216		
State	108,038	66,606		
Private	316,432	295,335		
Local	81,748	75,638		
Medical center, net	3,320,979	3,127,996		
Educational activities, net	2,790,357	2,497,491		
Auxiliary enterprises, net	439,045	163,809		
Foundation private gifts			$526,655	$300,694
Other operating revenues, net	216,418	202,139		
Total operating revenues	**9,047,797**	**8,070,680**	**526,655**	**300,694**
OPERATING EXPENSES				
Salaries and wages	4,481,683	4,193,592		
Pension benefits	941,907	372,006		
Retiree health benefits	255,629	409,449		
Other employee benefits	1,091,600	1,067,517		
Supplies and materials	1,420,056	1,281,225		
Depreciation and amortization	493,813	495,867		
Scholarships and fellowships	205,014	180,514		
Utilities	85,394	61,269		
Foundation grants			366,660	365,147
Other operating expenses	1,623,202	1,141,471	14,898	15,041
Total operating expenses	**10,598,298**	**9,202,910**	**381,558**	**380,188**
Operating income (loss)	**(1,550,501)**	**(1,132,230)**	**145,097**	**(79,494)**
NONOPERATING REVENUES (EXPENSES)				
State educational appropriations	696,174	453,790		
State hospital fee grants	8,679	7,397		
Direct government grants	135,512	64,366		
Build America Bonds federal interest subsidies	9,320	9,489		
Federal Pell Grants	50,683	53,316		
Private gifts, net	403,663	405,142		
Investment income:				
Short Term Investment Pool and other, net	63,528	55,958		
Endowment, net	73,025	67,115		
Foundation			43,099	38,425
Net appreciation (depreciation) in fair value of investments	(982,158)	1,338,742	(416,566)	885,953
Interest expense	(204,365)	(177,011)		
Loss on disposal of capital assets	(91,770)	(11,920)		
Other nonoperating revenues	61,760	6,127		
Net nonoperating revenues (expenses)	**224,051**	**2,272,511**	**(373,467)**	**924,378**
Income (loss) before other changes in net position	**(1,326,450)**	**1,140,281**	**(228,370)**	**844,884**
OTHER CHANGES IN NET POSITION				
Capital gifts and grants	22,093	27,878		
State capital appropriations	1,182	248		
Additions to permanent endowments	3,623	8,795	154,539	116,367
Transfers	(444,559)	289,918		
Change in net position	**(1,744,111)**	**1,467,120**	**(73,831)**	**961,251**
NET POSITION				
Beginning of year	335,801	(1,130,607)	4,604,575	3,643,324
Cumulative effect of accounting change		(712)		
Beginning of year, restated	335,801	(1,131,319)	4,604,575	3,643,324
End of year	**$(1,408,310)**	**$335,801**	**$4,530,744**	**$4,604,575**

See accompanying notes to financial statements.

UNIVERSITY OF CALIFORNIA, LOS ANGELES
STATEMENTS OF CASH FLOWS (UNAUDITED)

	CAMPUS		FOUNDATIONS	
Years ended June 30, 2022 and 2021 (in thousands of dollars)	**2022**	**2021**	**2022**	**2021**
CASH FLOWS FROM OPERATING ACTIVITIES				
Student tuition and fees	$965,864	$887,582		
Grants and contracts	1,238,738	1,109,967		
Medical center	3,327,191	3,004,631		
Educational activities	2,786,754	2,449,648		
Auxiliary enterprises	444,786	157,685		
Foundation private gifts			$477,260	$301,922
Payments to employees	(4,646,617)	(4,328,526)		
Payments to suppliers and utilities	(3,001,236)	(2,456,886)		
Payments for pension benefits	(419,144)	(521,266)		
Payments for retiree health benefits	(103,685)	(103,086)		
Payments for other employee benefits	(904,993)	(868,723)		
Payments for scholarships and fellowships	(205,014)	(180,514)		
Collection of loans from students and employees	879	2,560		
Payments to campus and beneficiaries			(352,330)	(380,159)
Other receipts (payments)	38,236	615,611	65,217	(3,989)
Transfers - intercampus	78,226	(33,383)		
Net cash provided (used) by operating activities	**(400,015)**	**(264,700)**	**190,147**	**(82,226)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State educational appropriations	695,115	453,785		
Federal Pell Grants	50,683	53,316		
Direct government grants	134,293	64,366		
State hospital fee grants	8,679	7,397		
Gifts received for other than capital purposes:				
Private gifts for endowment purposes			138,413	104,112
Other private gifts	419,227	383,049		
Proceeds from debt issuance	400,000	678,000		
Interest paid on debt	(14,712)	(4,691)		
Other receipts	59,219	3,949		
Transfers - intercampus	(488,729)	(588,425)		
Net cash provided by noncapital financing activities	**1,263,775**	**1,050,746**	**138,413**	**104,112**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Commercial paper financing:				
Proceeds from issuance	17,688	330,960		
Payments of principal	(129)	(590,288)		
Interest paid	(352)	(161)		
State capital appropriations	1,383			
Build America Bonds federal interest subsidies	4,668	10,404		
Capital gifts and grants	35,538	49,770		
Proceeds from debt issuance	353,753	978,987		
Purchases of capital assets	(1,201,912)	(800,911)		
Refinancing or prepayment of outstanding debt	(236,884)	(76,212)		
Scheduled principal paid on debt	(179,499)	(224,331)		
Interest paid on debt	(192,369)	(190,640)		
Other receipts	3,761	1,601		
Transfers - intercampus	722,999	699,314		
Net cash provided (used) by capital and related financing activities	**(671,355)**	**188,493**		
CASH FLOWS FROM INVESTING ACTIVITIES				
Net (purchases) / proceeds from sales and maturities of investments	(330,515)	(982,553)	(310,495)	(59,749)
Investment income, net of investment expenses	59,744	55,958	42,562	37,327
Net cash used by investing activities	**(270,771)**	**(926,595)**	**(267,933)**	**(22,422)**
Net change in cash and cash equivalents	**(78,366)**	**47,944**	**60,627**	**(536)**
Cash and cash equivalents, beginning of year	1,558,455	1,510,511	7,607	8,143
Cash and cash equivalents, end of year	**$1,480,089**	**$1,558,455**	**$68,234**	**$7,607**

See accompanying notes to financial statements.

UNIVERSITY OF CALIFORNIA, LOS ANGELES
STATEMENTS OF CASH FLOWS (CONTINUED)

	CAMPUS		FOUNDATIONS	
Years ended June 30, 2022 and 2021 (in thousands of dollars)	**2022**	**2021**	**2022**	**2021**
Cash and cash equivalents are comprised of the followings:				
Cash	$9,016	$4,630	$68,234	$7,607
Short-term investments	1,471,073	1,553,825		
Cash and cash equivalents Total	**$1,480,089**	**$1,558,455**	**$68,234**	**$7,607**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES				
Operating income (loss)	$(1,550,501)	$(1,132,230)	$145,097	$(79,494)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:				
Depreciation and amortization expense	493,813	495,869		
Noncash gifts			(89,993)	(35,734)
Allowance for uncollectible accounts	(33,569)	(55,706)	8,392	2,258
Loss on impairment of capital assets	5,445	2,716		
Changes in assets and liabilities:				
Investments held by trustees			(4,516)	1,241
Accounts receivable	(142,645)	(166,311)	(18)	541
Pledges receivable			35,538	34,063
Inventories	(682)	(14,704)		
Other assets	(15,119)	21,652		
Accounts payable	72,536	(29,587)	31,877	(1,205)
Accrued salaries	10,536	9,286		
Employee benefits	33,465	(8,169)		
Unearned revenue	19,598	(36,421)	(3,052)	246
Net pension liability	522,763	(149,260)		
Net retiree health benefits liability	150,065	304,387		
Other liabilities	34,280	493,778	66,822	(4,142)
Net cash provided (used) by operating activities	**$(400,015)**	**$(264,700)**	**$190,147**	**$(82,226)**
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION				
Capital assets acquired through leases	$79,269	$39,026		
Change in fair value of interest rate swaps classified as hedging derivatives	34,388	24,851		
Gifts of capital assets	5,853	5,493		
Other noncash gifts			$106,139	$47,989
Beneficial interests in irrevocable split-interest agreements administered by third parties				(274)

See accompanying notes to financial statements.

Photo by *David Esquivel/UCLA*, Royce Hall lit for Pride

UNIVERSITY OF CALIFORNIA, LOS ANGELES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

Photo by *Don Liebig/ASUCLA*, Kindness Day

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The University of California (the University) was founded in 1868 as a public, state-supported institution. The California State Constitution provides that the University shall be a public trust administered by the corporation, "The Regents of the University of California," which is vested with full powers of organization and government, subject only to such legislative control necessary to ensure the security of its funds and compliance with certain statutory and administrative requirements. The majority of the 26-member independent governing board (The Regents) are appointed by the governor and approved by the state Senate. Various University programs and capital outlay projects are funded through appropriations from the state's annual Budget Act. The University's financial statements are discretely presented in the state's basic financial statements as a component unit.

Financial Reporting Entity

The Los Angeles campus of the University of California (UCLA) was founded in 1919 and is financially the largest campus in the 10-campus University of California system. The financial statements included in this annual report present the combined activities of the Los Angeles campus, including the UCLA Medical Center. The University of California system is subject to an annual audit of the consolidated financial statements, of which UCLA is a part. The financial statements for the Los Angeles campus are not individually audited.

The Associated Students of UCLA's (ASUCLA's) financial data for the fiscal years ended June 30, 2022 and 2021 is included in the financial statements in order to reflect total financial activity of the UCLA campus. ASUCLA conducts activities on the UCLA campus pursuant to the Statement of Understanding of ASUCLA's Relationship with the University, dated June 28, 1974.

The UCLA Foundation is a nonprofit, public-benefit corporation organized for the purpose of accepting and administering the full range of private contributions for the campus. The Jonsson Cancer Center Foundation is a 501(c)3 organization established for the purpose of encouraging private gifts for the benefit of the Jonsson Comprehensive Cancer Center at UCLA. The economic resources received or held by the foundations are entirely for the benefit of the campus. Due to the nature and significance of their relationship with the University, including their ongoing financial support, the campus foundations are reported under GASB requirements as discretely presented component units of the campus.

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, using the economic resources measurement focus and the accrual basis of accounting. UCLA follows accounting principles issued by the GASB.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. As a public institution, UCLA is considered a special-purpose government engaged primarily in a business-type activity under the provisions of GASB Statements Nos. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments* and 35, *Basic Financial Statements — and Management's Discussion and Analysis — for Public Colleges and Universities — an amendment of GASB Statement No. 34*. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Adoption of Accounting Pronouncement

In June 2017, the GASB issued Statement No. 87, *Leases* (GASB 87), effective for the University's fiscal year beginning July 1, 2021. This Statement establishes a single approach to accounting for and reporting leases based on the principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Limited exceptions to the single approach guidance are provided for short-term leases, defined as those leases lasting a maximum of 12 months at inception, including any options to extend, financed purchases, leases of assets that are investments and certain regulated leases.

The adoption of GASB 87 did not result in any adjustments to the financial statements of the campus foundations. The effects of adopting GASB 87 in UCLA's financial statements for the year ended June 30, 2021, were as follows:

	UNIVERSITY OF CALIFORNIA LOS ANGELES		
(in thousands of dollars)	**AS PREVIOUSLY REPORTED**	**EFFECT OF ADOPTION OF GASB 87**	**AS RESTATED**
STATEMENT OF NET POSITION			
ASSETS			
Accounts receivable, net	$1,142,325	$1,271	$1,143,596
Current assets	**2,943,529**	**1,271**	**2,944,800**
Capital assets, net	7,192,523	741,484	7,934,007
Other noncurrent assets	47,163	15,715	62,878
Noncurrent assets	**14,544,263**	**757,199**	**15,301,462**
Total assets	**17,487,792**	**758,470**	**18,246,262**
LIABILITIES			
Current portion of long-term debt	473,645	151,615	625,260
Other current liabilities	503,608	3,241	506,849
Current liabilities	**2,147,812**	**154,856**	**2,302,668**
Long-term debt	4,738,813	605,728	5,344,541
Noncurrent liabilities	**13,241,057**	**605,728**	**13,846,785**
Total liabilities	**15,388,869**	**760,584**	**16,149,453**
DEFERRED INFLOWS OF RESOURCES	**4,018,348**	**16,388**	**4,034,736**
NET POSITION			
Net investment in capital assets	2,593,427	(19,101)	2,574,326
Unrestricted net position	(4,877,503)	599	(4,876,904)
Total net position	**$354,303**	**$(18,502)**	**$335,801**

(in thousands of dollars)	UNIVERSITY OF CALIFORNIA LOS ANGELES		
	AS PREVIOUSLY REPORTED	**EFFECT OF ADOPTION OF GASB 87**	**AS RESTATED**
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION			
OPERATING REVENUES			
Other operating revenues, net	$203,740	$(1,601)	$202,139
Total operating revenues	**8,072,281**	**(1,601)**	**8,070,680**
OPERATING EXPENSES			
Supplies and materials	1,279,582	1,643	1,281,225
Depreciation and amortization	415,533	80,334	495,867
Other operating expenses	1,232,734	(91,263)	1,141,471
Total operating expenses	**9,212,196**	**(9,286)**	**9,202,910**
Operating loss	**(1,139,915)**	**7,685**	**(1,132,230)**
NONOPERATING REVENUES (EXPENSES)			
Interest expense	(149,439)	(27,572)	(177,011)
Loss on disposal of current assets	(12,086)	166	(11,920)
Other nonoperating revenues	4,196	1,931	6,127
Net nonoperating revenues	**2,297,986**	**(25,475)**	**2,272,511**
Income before other changes in net position	**$1,158,071**	**$(17,790)**	**$1,140,281**
STATEMENT OF CASH FLOWS			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and utilities	$(2,546,508)	$89,622	$(2,456,886)
Other receipts	617,212	(1,601)	615,611
Net cash used by operating activities	**(352,721)**	**88,021**	**(264,700)**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Scheduled principal paid on debt and leases	(160,234)	(64,097)	(224,331)
Interest paid on debt and leases	(165,115)	(25,525)	(190,640)
Other receipts		1,601	1,601
Net cash used by capital and related financing activities	**276,514**	**(88,021)**	**188,493**
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES			
Operating loss	(1,139,915)	7,685	(1,132,230)
Depreciation and amortization expense	415,533	80,336	495,869
Net cash used by operating activities	**$(352,721)**	**$88,021**	**$(264,700)**
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION			
Capital assets acquired through leases		$39,026	$39,026

Significant Accounting Policies

The significant accounting policies of UCLA are as follows:

Cash

UCLA and the foundations consider all balances in demand deposit accounts to be cash. UCLA classifies deposits in the University's Short Term Investment Pool (STIP) as short-term investments.

Investments

Investments are measured and reported at fair value. Securities are generally valued at the last sale price on the last business day of the fiscal year, as quoted on a recognized exchange or by utilizing an industry-standard pricing service, when available. Securities for which no sale was reported as of the close of the last business day of the fiscal year are valued at the quoted bid price of a dealer who regularly trades in the security being valued. Investment in nonexchange traded debt and equity investments are valued using inputs provided by independent pricing services or by brokers/dealers who actively trade in these markets. Certain securities may be valued on a basis of the price provided by a single source.

Investments also include private equities, private credit, absolute return funds, real estate, real asset, and certain corporate asset-backed securities. Private equities include venture capital partnerships, buyouts, real assets, and international funds. Fair values for interests in private equity, absolute return partnerships, and real estate partnerships are based on valuations provided by the general partners of the respective partnerships. The valuations are primarily based on the most recent net asset value (NAV) of the underlying investments. The NAV is reported by the external investment managers, including general partners, in accordance with their policies as described in their respective financial statements and offering memoranda. The most recent NAV is adjusted for capital calls, distributions, and significant known valuation changes, if any, of its related portfolio through June 30, 2022 and 2021.

Interests in certain direct investments in real estate and private credit are estimated based upon independent appraisals. Because the private equity, real estate, real assets, and absolute return partnerships, along with direct investments in real estate, are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ significantly from the value that would be used had a ready market for such investments existed. These investments are generally less liquid than other investments.

For other investments, the University considers various factors to estimate fair value, such as the timing of the transaction, the market in which the company operates, comparable transactions, company performance and projections, as well as discounted cash flow analysis. The selection of an appropriate technique may be affected by the availability and general reliability of relevant inputs. In some cases, one valuation technique may provide the best indication of fair value while in other circumstances, multiple valuation techniques may be appropriate. Furthermore, the University may review the investment's underlying portfolio as well as engage external appraisers, depending on the nature of the investment.

The University exercises due diligence in assessing the external managers' use of and adherence to fair value principles. In conjunction with these procedures, estimated fair value is determined by consideration of a wide range of factors, including market conditions, redemption terms, and restrictions and risks inherent to the inputs of the external investment managers' valuation. In situations where the information provided by the external manager is deemed to not be representative of the fair value as of the measurement date, management evaluates specific features of the investment and utilizes supplemental fair value information provided by the external manager along with any relevant market data to measure the investment's fair value.

Investments in registered investment companies are valued based upon the reported NAV of those companies. Mortgage loans held as investments are valued on the basis of their future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Insurance contracts are valued at contract value, plus reinvested interest, which approximates fair value.

Investments denominated in foreign currencies are translated into U.S. dollar equivalents using year-end spot foreign currency exchange rates. Purchases and sales of investments and their related income are translated at the rate of exchange on the respective transaction dates. Realized and

unrealized gains and losses resulting from foreign currency changes are included in the University's Statements of Revenues, Expenses, and Changes in Net Position.

Investment transactions are recorded on the date the securities are purchased or sold (trade date). Realized gains or losses are recorded as the difference between the proceeds from the sale and the average cost of the investment sold. Dividend income is recorded on the ex-dividend date and interest income is accrued as earned. Gifts of securities are recorded based on fair value at the date of donation.

The foundations may invest all or a portion of their investments in University-managed investment pools. Certain securities in these investment pools are included in the University's security lending program. Accordingly, the foundations' investments in University-managed investment pools and their allocated share of the securities lending activities have been excluded from the University's financial statements and included in the Foundations' columns.

Derivative financial instruments

Derivative instruments are recorded at fair value. Futures contracts, foreign currency exchange contracts, stock rights and warrants, options, and swaptions are valued at the settlement price on the last day of the fiscal year, as quoted on a recognized exchange or by utilizing an industry-standard pricing service, when available. Financial institutions or independent advisors have estimated the fair value of the interest rate swaps and total return swaps using quoted market prices when available or discounted expected future net cash flows.

The University has entered into interest rate swap agreements to limit the exposure of its variable-rate debt to changes in market interest rates. Interest rate swap agreements involve the exchange with a counterparty of fixed- and variable-rate interest payments periodically over the life of the agreement without exchange of the underlying notional principal amounts. The net differential to be paid or received is recognized over the life of the agreements as an adjustment to interest expense. The University's counterparties are major financial institutions.

Derivatives are recorded at estimated fair value as either assets or liabilities in the Statements of Net Position. Certain derivatives are determined to be hedging derivatives and designated as either a fair value or cash flow hedge. Under hedge accounting, changes in the fair value of hedging derivatives are considered to be deferred inflows (for hedging derivatives with positive fair values) or deferred outflows (for hedging derivatives with negative fair values).

Changes in fair value of derivatives that are not hedging derivatives are recorded as net appreciation or depreciation of investments in the Statements of Revenues, Expenses, and Changes in Net Position.

Accounts receivable, net

Accounts receivable, net of allowance for uncollectible amounts, include reimbursements due from state and federal sponsors of externally funded research, patient billings, accrued income on investments, and other receivables. Other receivables include local government and private grants and contracts, educational activities, and amounts due from lessees, students, employees, and faculty.

Pledges receivable, net

Unconditional pledges of private gifts to UCLA or the foundations, net of allowance for uncollectible amounts, are recorded as pledges receivable and revenue in the year promised at the net present value of expected cash flows. Conditional pledges, including all pledges of endowments and intentions to pledge, are recognized as receivables and revenues when the specified conditions are met.

Notes and mortgages receivable, net

Loans to students, net of allowance for uncollectible amounts, are provided from federal student loan programs and from other University sources. Home mortgage loans, primarily to faculty, are funded from the University's STIP and from other University sources. Mortgage loans funded by STIP are classified as investments, and loans provided by other sources are classified as mortgages receivable in the Statement of Net Position.

Inventories

Inventories for the campus, consisting primarily of supplies and merchandise for resale, are valued at cost, typically determined under the weighted average method, which is not in excess of estimated net realizable value. Inventories for the medical center consist primarily of pharmaceuticals

and medical supplies which are stated on a first-in, first-out basis at the lower of cost or market.

Capital assets, net

Land, infrastructure, buildings and improvements, intangible assets, equipment, libraries, collections, and special collections are recorded at cost at the date of acquisition, or estimated acquisition value at the date of donation in the case of gifts. Estimates of acquisition value involve assumptions and estimation methods that are uncertain and, therefore, the estimates could differ from actual value. Intangible assets include easements, land rights, trademarks, patents, right-to-use lease assets, and other similar arrangements. Leases are recorded at the estimated present value of future lease payments, net of amounts paid in advance, and direct costs. Significant additions, replacements, major repairs and renovations to infrastructure and buildings are generally capitalized if the cost equals or exceeds $35,000 and if they have a useful life of more than one year. Minor renovations are considered operating expenses. Equipment with a cost equal to or in excess of $5,000 and a useful life of more than one year is capitalized. Incremental costs, including salaries and employee benefits, directly related to the acquisition, development, and installation of major software projects are included in the cost of the capital assets. All costs of land, library collections, and special collections are capitalized.

Depreciation is calculated using the straight-line method over the estimated useful life of the asset. Assets under leases are amortized over the shorter of the lease term or the estimated useful life of the asset. Leasehold improvements are amortized using the straight-line method over the shorter of the life of the applicable lease or the useful life of the asset.

Estimated useful lives are generally as follows:

	Years
Infrastructure	25
Buildings and improvements	15 - 33
Equipment	2 - 20
Computer software	3 - 7
Intangible assets	2 - indefinite
Library books and collections	15

Capital assets acquired through federal grants and contracts where the federal government retains a reversionary interest are also capitalized and depreciated.

Inexhaustible capital assets, such as land or special collections that are protected, preserved, and held for public exhibition, education, or research, including art, museum, scientific and rare book collections, are not depreciated.

Unearned revenue

Unearned revenue primarily includes amounts received from grant and contract sponsors that have not been earned under the terms of the agreement and other revenue billed in advance of the event, such as student tuition and fees for housing and dining services.

Federal refundable loans

Certain loans to students are administered by UCLA with funding primarily supported by the federal government. UCLA's Statements of Net Position include both the notes receivable and the related federal refundable loan liability representing federal capital contributions owed.

Bond premium

The bond premium received in the issuance of long-term debt is amortized as a reduction to interest expense over the term of the related long-term debt.

Self-insurance programs

The University is self-insured or insured through Fiat Lux for medical malpractice, workers' compensation, employee health care, and general liability claims. These risks are subject to various claim and aggregate limits, with excess liability coverage provided by independent insurers. Liabilities are recorded when it is probable a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate for claims that have been incurred, but not reported. The estimated liabilities are based upon an independent actuarial determination of the present value of the anticipated future payments. Settlements did not exceed self-insured or supplemental insured coverage for any program in the past three fiscal years.

Obligations under life income agreements

Obligations under life income agreements represent trusts with living income beneficiaries where UCLA has a residual

interest. The investments associated with these agreements are recorded at fair value. The discounted present value of the income beneficiary interest is reported as a liability in the Statements of Net Position. Gifts subject to such agreements administered by UCLA are recorded as deferred inflows of resources, net of the income beneficiary share, at the date of the gift. At the termination of the agreement, UCLA's residual interest is recorded as gift revenue in the Statements of Revenues, Expenses, and Changes in Net Position.

Pollution remediation obligations

Upon an obligating event, UCLA estimates the components of any expected pollution remediation costs and recoveries from third parties. The costs, estimated using the expected cash flow technique, are accrued as a liability. Pollution remediation liabilities generally involve groundwater, soil, and sediment contamination at certain sites where state and other regulatory agencies have indicated that UCLA is among the responsible parties. The liabilities are reviewed annually and may increase or decrease the cost of recovery from third parties, if any, as a result of additional information that refines the estimates, or from payments made from revenue sources that support the activity. There were no expected recoveries at June 30, 2022 and 2021, reducing the pollution remediation liability.

Asset retirement obligations

Upon an obligating event, UCLA records the costs of any expected tangible capital asset retirement obligations using the best estimate of the current value of outlays expected to be incurred. The liabilities are reviewed annually and may change as a result of additional information that refines the estimates. Actual asset retirement obligation costs may vary from these estimates as a result of changes in assumptions such as asset retirement dates, regulatory requirements, technology and costs of labor, materials and equipment. The estimated remaining useful lives of these assets range from 2 to 27 years.

Deferred outflows of resources and deferred inflows of resources

Deferred outflows of resources and deferred inflows of resources represent a consumption and acquisition of net position that apply to a future period, respectively. UCLA classifies gains on refunding of debt, increases in the fair value of hedging derivatives, and certain lease payments to be received as deferred inflows of resources. UCLA's deferred inflows of resources related to changes in irrevocable split-interest agreements are included in the financial statements of the University. UCLA classifies losses on refunding of debt, decreases in the fair value of hedging derivatives, and certain asset retirement obligations as deferred outflows of resources. Gains or losses on refunding of debt are amortized as a component of interest expense over the remaining life of the old debt, or the new debt, whichever is shorter. Asset retirement obligations are recognized over the remaining useful life of the related asset. Revenues from split interest agreements are recognized when the resources become available to spend. Lease revenues are recognized over the lease term.

Changes in the net pension and net retiree health liabilities not included in expenses are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension and retiree health liabilities are reported as deferred outflows of resources.

Net position

Net position is required to be classified for accounting and reporting purposes into the following categories:

Net investment in capital assets. This category includes all of UCLA's capital assets, net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction, or improvement of those assets.

Restricted. UCLA and the foundations classify the net position resulting from transactions with purpose or time restrictions as restricted net position until the specific resources are used for the required purpose or for as long as the provider requires the resources to remain intact.

Nonexpendable. The net position subject to externally imposed restrictions, which must be retained in perpetuity by UCLA or the foundations, is classified as restricted nonexpendable net position. This includes UCLA's and the foundations' permanent endowment funds.

Also included in restricted nonexpendable net position are minority interests, which include the net position of legally separate organizations attributable to other participants.

Expendable. The net position whose use by UCLA or the foundations is subject to externally imposed restrictions that can be fulfilled by actions of UCLA or the foundations pursuant to those restrictions or that expire by the passage of time is classified as restricted expendable net position.

Unrestricted. The net position that is not subject to externally imposed restrictions governing its use is classified as unrestricted net position. UCLA's unrestricted net position may be designated for specific purposes by management or The Regents. The foundations' unrestricted net position may be designated for specific purposes by their Boards of Trustees. Substantially all of UCLA's unrestricted net position is allocated for academic and research initiatives or programs, for capital programs or for other purposes.

Restricted or unrestricted resources are spent based upon a variety of factors, including funding restrictions, consideration of prior and future revenue sources, the type of expense incurred, UCLA's budgetary policies surrounding the various revenue sources or whether the expense is a recurring cost. Unrestricted net position is negative due primarily to liabilities for pension and retiree health benefits exceeding UCLA's assets available to pay such obligations.

Revenues and expenses

Operating revenues of UCLA include receipts from student tuition and fees, grants and contracts for specific operating activities, sales and services from medical centers, educational activities, and auxiliary enterprises. Operating expenses incurred in conducting the programs and services of UCLA are presented in the Statements of Revenues, Expenses, and Changes in Net Position as operating activities.

Certain significant revenues relied upon and budgeted for fundamental operational support of the primary mission of UCLA are mandated by GASB to be recorded as nonoperating revenues, including state educational appropriations, certain federal grants for student financial aid, private gifts, and investment income, since GASB does not consider them to be related to the principal operating activities of UCLA.

Nonoperating revenues and expenses also include state educational appropriations, state hospital fee grants, direct government grants from Coronavirus Aid, Relief, and Economic Security (CARES) Act, Coronavirus Response & Relief Supplemental Appropriations (CRRSA) Act, American Rescue Plan (ARP) Act, Build America Bond federal interest subsidies, net appreciation (or depreciation) in the fair value of investments, interest expense, and the loss on the disposal of capital assets.

UCLA received grants under certain provisions of the CARES, CRRSA, and ARP Acts, reported as nonoperating revenues, to minimize the impacts of lost revenues and increased expenses related to COVID-19. UCLA received grants under the Higher Education Emergency Relief Fund (HEERF) to provide emergency financial aid to students and to mitigate the impacts of lost revenue and additional technology expenses associated with moving to online education. UCLA Medical Center and faculty practices received grants under the CARES Act Provider Relief Fund for lost revenues and health care related expenses related to operational changes to prepare for treating patients with COVID-19 in 2022 but not in 2021.

The foundations are established to financially support UCLA. Private gifts to the foundations are recognized as operating revenues since, in contrast to UCLA, such contributions are fundamental to the primary mission of the foundations. Foundation grants to UCLA are recognized as operating expenses by the foundations. Private gift or capital gift revenues associated with the foundation grants to UCLA are recorded by UCLA as gifts when the foundations transfer the gifts to UCLA.

State capital appropriations, capital gifts and grants, and gifts for permanent endowment purposes are classified as other changes in net position.

Student tuition and fees

Substantially all student tuition and fees provide for the current operations of UCLA. A small portion of the student fees, reported as capital gifts and grants, is required for debt service associated with student unions and recreational centers.

UCLA recognizes scholarship allowances as the difference between the stated charge for tuition and fees, housing and dining charges, recreational center and other fees, and the amount that is paid by the student and third parties on behalf

of the student. Payments of financial aid made directly to students are classified as scholarship and fellowship expenses.

Scholarship allowances are netted against student tuition and fees in the Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30 as follows:

(in thousands of dollars)	**2022**	**2021**
Student tuition and fees	$232,481	$252,396
Auxiliary enterprises	51,043	16,134
Scholarship allowances	**$283,524**	**$268,530**

State appropriations

The state of California provides appropriations to the University on an annual basis. State educational appropriations are recognized as nonoperating revenue; however, the related expenses for educational, retirement, or other specific operating purposes are reported as operating expenses. State appropriations for capital projects are recorded as revenue under other changes in net position when the related expenditures are incurred. Special state appropriations for AIDS, tobacco, and breast cancer research are reported as state grants and contracts operating revenue.

Grant and contract revenue

UCLA receives grant and contract revenue from governmental and private sources. UCLA recognizes revenue associated with the direct costs of sponsored programs as the related expenditures are incurred. Recovery of facilities and administrative costs of federally sponsored programs is at cost reimbursement rates negotiated with UCLA's federal cognizant agency, the U.S. Department of Health and Human Services. For the year ended June 30, 2022, the facilities and administrative cost recovery totaled $245 million, which consisted of $172 million from federally sponsored programs and $73 million from other sponsors. For the year ended June 30, 2021, the facilities and administrative cost recovery totaled $223 million, which consisted of $158 million from federally sponsored programs and $65 million from other sponsors.

Medical center revenue

Medical center revenue is reported at the estimated net realizable amounts from patients and third-party payors, including Medicare, Medi-Cal, and others, for services rendered, as well as estimated retroactive adjustments under reimbursement agreements with third-party payors. Laws and regulations governing Medicare and Medi-Cal are complex and subject to interpretation. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. It is reasonably possible that estimated amounts accrued could change significantly based upon settlements, or as additional information becomes available.

Net pension liability

UCLA records a net pension liability for its defined benefit plans. The net pension liability is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The fiduciary net position and changes in net position of the defined benefit plans have been measured consistent with the accounting policies used by the plans. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available.

Pension expense is recognized for benefits earned during the period, interest on the unfunded liability, and changes in benefit terms. The differences between expected and actual experience and changes in assumptions about future economic or demographic factors are reported as deferred inflows or outflows and are recognized over the average expected remaining service period for employees eligible for pension benefits. The differences between expected and actual returns are reported as deferred inflows or outflows, and are recognized over five years.

Retiree health benefits and liability

UCLA's net retiree health benefits liability is measured as the total retiree health benefits liability, less the amount of the UCRHBT's fiduciary net position. The fiduciary net position and changes in net position of UCRHBT have been measured consistent with the accounting policies used by the trust. The total retiree health benefits liability is

determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the health benefit trust's fiscal year end. Projected benefit payments are discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available.

Expense for retiree health benefits is recognized for benefits earned during the period, interest on the unfunded liability, and changes in benefit terms. The differences between expected and actual experience and changes in assumptions about future economic or demographic factors are reported as deferred inflows or outflows and are recognized over the average expected remaining service period for employees eligible for retiree health benefits. The differences between expected and actual returns are reported as deferred inflows or outflows and are recognized over five years.

Campus and medical center contributions toward retiree health costs made to UCRHBT are shown as operating activities in the Statements of Cash Flows. Cash flows resulting from retiree health contributions from retirees are shown as noncapital financing activities in the Statements of Cash flows.

Compensated absences

UCLA accrues annual leave, including employer-related costs, for employees at rates based upon length of service and job classification, and compensatory time based upon job classification and hours worked.

Endowment spending

Under provisions of California law, the Uniform Prudent Management of Institutional Funds Act allows for investment income, as well as a portion of realized and unrealized gains, to be expended for the operational requirements of UCLA programs.

Tax exemption

The University is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC), except for tax on unrelated business income under IRC Section 511. The University is also exempt from federal income tax under IRC Section 115(a) as a state institution. In addition, the University is exempt from state income taxes imposed under the California Revenue and Taxation Code. The UCLA Foundation, the Jonsson Cancer Center Foundation, and Associated Students UCLA also qualified for tax exemption under Section 501(c)(3).

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Although management believes the estimates and assumptions are reasonable, they are based upon information available at the time the estimate or judgment is made and actual amounts could differ from those estimates.

New accounting pronouncements

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, effective for the University's fiscal year beginning July 1, 2022. The Statement defines a conduit debt obligation and clarifies the accounting and financial reporting for conduit debt obligations with additional or voluntary commitments by issuers. The University is evaluating the effect that Statement No. 91 will have on its financial statements.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for the University's fiscal year beginning July 1, 2022. The Statement provides guidance for financial reporting for public-private and public-public partnership arrangements and availability payment arrangements. The University is evaluating the effect that Statement No. 94 will have on its financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the University's fiscal year beginning July 1, 2022. Under this Statement, these arrangements result in a right-to-use intangible asset and a corresponding subscription liability. The University is evaluating the effect that Statement No. 96 will have on its financial statements.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The Statement addresses issues that have been

identified during implementation and application of certain GASB Statements. Upon the issuance of Statement No. 99, The University adopted the requirements related to extension of the use of London Interbank Offered Rate (LIBOR), accounting for Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of non-monetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, as amended, and terminology updates related to Statement No. 53 and Statement No. 63. The requirements related to leases, public-private and public-public partnerships (PPPs), and subscription-based information technology arrangements (SBITAs) are effective for the University's fiscal year 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for the University's fiscal year 2024. The University is evaluating the effect these requirements will have on its financial statements.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections* — an amendment of GASB Statement No. 62, effective for the University's fiscal year beginning July 1, 2023. The Statement requires disclosures of descriptive information about accounting changes and error corrections and addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information. The University is evaluating the effect that Statement No. 100 will have on itsfinancial statements.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, effective for the University's fiscal year beginning July 1, 2024. The Statement replaces Statement No. 16, *Accounting for Compensated Absences*, to align recognition and measurement guidance for all types of compensated absences under a unified model. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The Statement also establishes guidance for measuring a liability for leave that has not been used. As of June 30, 2022, the University reported compensated absences liability of $1.4 billion. Under Statement No. 101, the University's compensated absences liability is expected to increase. The University is evaluating the full effect that Statement No. 101 will have on its financial statements.

2. CASH

UCLA's cash is maintained and managed centrally by the University of California Office of the President (the "UCOP"). Cash in demand deposit accounts is minimized by sweeping available cash balances into investment accounts on a daily basis.

Under University policy, deposits are only held at financial institutions that maintain an issuer rating on long-term debt of A3 or higher by Moody's, A- or higher by Standard & Poor's or an Asset Peer Group rating of 65 or higher as defined by Sheshunoff Bank Rating Reports. At June 30, 2022 and 2021, the carrying amount of the University's demand deposits, generally held in five nationally recognized banking institutions, was $1.1 billion and $678.1 million, respectively, compared to bank balances of $300 million and $441.7 million, respectively. Deposits in transit and cash awaiting investment are the primary differences. The University's deposits are uninsured and uncollateralized except for bank balances insured by the Federal Deposit Insurance Corporation (FDIC) up to applicable statutory limits.

At June 30, 2022 and 2021, UCLA cash was $9.0 million and $4.6 million, respectively.

The carrying amount of the campus foundations' cash at June 30, 2022 and 2021 was $68.2 million and $7.6 million, respectively, compared to bank balances of $67.9 million and $7.1 million, respectively. Deposits in transit and cash awaiting investment are the primary differences. Uncollateralized bank balances include $0.3 million and $0.5 million in excess of the FDIC limits at June 30, 2022 and 2021, respectively. The campus foundations do not have exposure to foreign currency risk in their cash.

3. INVESTMENTS

The Regents, as the governing board of the University, is responsible for the oversight of the University's investments and establishes an investment policy, which is carried out by the Chief Investment Officer. These investments are associated with STIP, Total Return Investment Pool (TRIP), Blue and Gold Pool (BGP), General Endowment Pool (GEP), and other investment pools managed by the

Chief Investment Officer, or are separately invested. Pursuant to The Regents' policies on campus foundations, the Board of Trustees for each campus foundation may determine that all or a portion of their investments will be managed by the Chief Investment Officer. Asset and Risk Allocation Policy guidelines are provided to the campus foundations by the Investments Committee of The Regents.

STIP allows participants to maximize the returns on their short-term cash balances by taking advantage of the economies of scale of investing in a large pool with a broad range of maturities and is managed to maximize current earned income. Cash to provide for payroll, construction expenditures, and other operating expenses for UCLA is invested in STIP. The available cash in endowment investment pools awaiting investment, or cash for administrative expenses, is also invested in STIP.

Investments authorized by The Regents for STIP include fixed-income securities with a maximum maturity of one year. In addition, for STIP, The Regents have also authorized loans, primarily to faculty members residing in California, under the University's Mortgage Origination Program with terms of up to 40 years.

TRIP allows participants the opportunity to maximize the return on their intermediate-term working capital by taking advantage of the economies of scale of investing in a large pool across a broad range of asset classes. TRIP is managed to a total return objective and is intended to supplement STIP. Investments authorized by The Regents for TRIP include a diversified portfolio of equity, fixed-type income, and alternative investments.

BGP is an investment pool whose objective is to provide a low-cost, liquid, diversified investment vehicle to invest long-term excess reserves to earn a higher return than would otherwise be expected from STIP and TRIP. To achieve liquidity, transparency and minimal expense, a passive investment strategy in equities and bonds is used.

GEP is an investment pool in which a large number of individual endowments participate in order to benefit from diversification and economies of scale. GEP is a balanced portfolio and the primary investment vehicle for endowed gift funds. Where donor agreements place constraints on allowable investments, assets associated with endowments are invested in accordance with the terms of the agreements.

Other investment pools primarily facilitate annuity and life income arrangements. Separate investments are those that cannot be pooled due to investment restrictions or income requirements.

Investments authorized by The Regents for BGP, GEP, other investment pools, and separate investments include equity securities, fixed-income securities, and certain other asset classes. The equity portion of the investment portfolios includes both domestic and foreign common and preferred stocks which may be included in actively or passively managed strategies, along with exposure to private equities. The University's investment portfolios may include foreign currency-denominated equity securities. The fixed-income portion of the investment portfolios may include both domestic and foreign securities, along with certain securitized investments, including mortgage-backed and asset-backed securities. Fixed-income investment guidelines permit the use of futures and options on fixed-income instruments in the ongoing management of the portfolios. Real estate investments are authorized for all pools except for STIP. Absolute return strategies, which may incorporate short sales, plus derivative positions to implement or hedge an investment position, are also authorized for all pools except for STIP.

Derivative instruments, including futures, forward contracts, options, and swap contracts, are authorized for portfolio rebalancing in accordance with The Regents' asset allocation policy and as substitutes for physical securities. Derivatives are not used for speculative purposes.

There are many factors that can affect the value of investments. Some, such as custodial credit risk, concentration of credit risk and foreign currency risk, may affect both equity and fixed-income securities.

More details about the University of California's investments, securities lending, derivative financial instruments, and investments held by trustees can be found in the audited University of California Annual Financial Report.

4. ACCOUNTS RECEIVABLE

Accounts receivable and the allowance for uncollectible accounts are as follows:

	UCLA				UCLA FOUNDATIONS
(in thousands of dollars)	STATE & FEDERAL GOVERNMENT	MEDICAL CENTER	OTHER	TOTAL	
At June 30, 2022					
Accounts receivable	$160,866	$649,296	$576,516	$1,386,678	$12,899
Allowance for uncollectible accounts	(985)	(89,611)	(30,075)	(120,671)	
Accounts receivable, net	**$159,881**	**$559,685**	**$546,441**	**$1,266,007**	**$12,899**
At June 30, 2021					
Accounts receivable	$149,772	$637,927	$453,825	$1,241,524	$25,983
Allowance for uncollectible accounts	(229)	(72,030)	(25,669)	(97,928)	
Accounts receivable, net	**$149,543**	**$565,897**	**$428,156**	**$1,143,596**	**$25,983**

UCLA's other accounts receivable are primarily related to tuition and fees, auxiliary enterprises, private grants and contracts, and educational activities.

The foundations' accounts receivable are primarily related to investment income.

The allowance for uncollectible accounts have decreased the following revenues for the years ended June 30:

(in thousands of dollars)	2022	2021
Student tuition and fees	$(289)	$310
Grants and contracts	(296)	(104)
Medical center	(31,663)	(52,369)
Educational activities	136	(3,140)
Auxiliary enterprises	(1,457)	(403)
Allowance for uncollectible accounts	**$(33,569)**	**$(55,706)**

5. PLEDGES RECEIVABLE

The composition of pledges receivable at June 30 is summarized as follows:

	UCLA		UCLA FOUNDATIONS	
(in thousands of dollars)	**2022**	**2021**	**2022**	**2021**
Total pledges receivable outstanding	$41,031	$52,017	$516,358	$559,109
Unamortized discount to present value	(29)	(229)	(82,819)	(87,280)
Allowance for uncollectible pledges	(6,497)	(1,719)	(23,426)	(17,787)
Total pledges receivable, net	**34,505**	**50,069**	**410,113**	**454,042**
Current portion of pledges receivable	(22,797)	(35,194)	(103,963)	(81,734)
Noncurrent portion of pledges receivable	**$11,708**	**$14,875**	**$306,150**	**$372,308**

Future receipts under pledge agreements for each of the five fiscal years subsequent to June 30, 2022 and thereafter are as follows:

(in thousands of dollars)	**UCLA**	**UCLA FOUNDATIONS**
Year Ending June 30		
2023	$24,329	$154,357
2024	15,253	40,418
2025	757	27,257
2026	428	18,031
2027	65	8,894
2028-2032	199	96,857
Beyond 2032		170,544
Total payments on pledges receivable	**$41,031**	**$516,358**

6. NOTES AND MORTGAGES RECEIVABLE

Notes and mortgages receivable at June 30, 2022 and 2021 are as follows:

(in thousands of dollars)	CURRENT	NONCURRENT NOTES	NONCURRENT MORTGAGES	TOTAL
At June 30, 2022				
Notes and mortgages receivable	$6,036	$52,177	$13,480	$71,693
Allowance for uncollectible amounts	(525)	(1,723)		(2,248)
Notes and mortgages receivable, net	**$5,511**	**$50,454**	**$13,480**	**$69,445**
At June 30, 2021				
Notes and mortgages receivable	$7,294	$49,449	$16,899	$73,642
Allowance for uncollectible amounts	(1,018)	(2,131)	(169)	(3,318)
Notes and mortgages receivable, net	**$6,276**	**$47,318**	**$16,730**	**$70,324**

7. CAPITAL ASSETS

UCLA's capital asset activity for the years ended June 30 is as follows:

(in thousands of dollars)	2020	ADDITIONS / TRANSFERS	DISPOSALS	2021	ADDITIONS / TRANSFERS	DISPOSALS	2022
ORIGINAL COST							
Land	$225,619	$55,432		$281,051	$28,860		$309,911
Infrastructure	18,573	1,541		20,114	2,771		22,885
Buildings and improvements	8,677,634	268,491	$(121)	8,946,004	953,147		9,899,151
Equipment, software and intangibles	1,698,076	102,855	(90,862)	1,710,069	125,580	$(73,458)	1,762,191
Right-of-use assets	904,253	78,888	(48,597)	934,544	91,172	(173,252)	852,464
Libraries and collections	854,196	34,884		889,080	34,489	(4,296)	919,273
Special collections	131,494	3,256		134,750	3,895		138,645
Construction in progress	621,597	336,899		958,496	(622,690)		335,806
Capital assets, at original cost	**$13,131,442**	**$882,246**	**$(139,580)**	**$13,874,108**	**$617,224**	**$(251,006)**	**$14,240,326**

	2020	DEPRECIATION AND AMORTIZATION	DISPOSALS	2021	DEPRECIATION AND AMORTIZATION	DISPOSALS	2022
ACCUMULATED DEPRECIATION AND AMORTIZATION							
Infrastructure	$8,263	$583		$8,846	$583		$9,429
Buildings and improvements	3,820,734	263,080	$(26)	4,083,788	275,984	$(26,159)	4,333,613
Equipment, software and intangibles	1,029,761	118,028	(74,209)	1,073,580	172,989	(24,510)	1,222,059
Right-of-use assets	76,127	82,405	(8,900)	149,632	77,566	(20,242)	206,956
Libraries and collections	594,460	31,468	(1,673)	624,255	31,824	(3,769)	652,310
Accumulated depreciation and amortization	**5,529,345**	**$495,564**	**$(84,808)**	**5,940,101**	**$558,946**	**$(74,680)**	**6,424,367**
Capital assets, net	**$7,602,097**			**$7,934,007**			**$7,815,959**

8. DEBT

The University directly finances the construction, renovation, and acquisition of facilities and equipment, or for such other purposes as are authorized by The Regents through the issuance of debt obligations. Commercial paper and bank loans provide interim financing. Long-term financing includes revenue bonds, financing obligations, and other borrowings.

UCLA's outstanding debt at June 30 is as follows:

(in thousands of dollars)	WEIGHTED AVERAGE INTEREST RATE	INTEREST RATE RANGE	MATURITY YEARS	2022	2021
INTERIM FINANCING:					
Commercial paper		0.26 - 2.2%	2023	$37,026	$19,467
LONG TERM FINANCING:					
University of California General Revenue Bonds:					
Fixed rate	4.5%	0.3 - 7.6%	2023 - 2115	2,081,528	2,121,894
Variable rate	0.65%	0.5 - 1.6%	2037 - 2048	85,791	85,791
University of California Limited Project Revenue Bonds	4.6%	0.4 - 6.3%	2023 - 2058	1,362,270	1,419,426
University of California Medical Center Pooled Revenue Bonds:					
Fixed rate	4.2%	2.0 - 6.6%	2023 - 2120	1,549,823	931,258
Variable rate	0.51%	0.5 - 0.52%	2023 - 2047	180,510	180,510
Unamortized bond premium				232,071	231,118
University of California revenue bonds	**4.3%**			**5,491,993**	**4,969,997**
Financing obligations		Various	2023 - 2042	41,545	22,691
Other University borrowings		Various	2023 - 2091	142,894	152,206
Leases		Various	2023 - 2062	698,302	824,907
Total outstanding debt				**6,411,760**	**5,989,268**
Less: Commercial paper				(37,026)	(19,467)
Current portion of outstanding debt				(541,330)	(625,260)
Noncurrent portion of outstanding debt				**$5,833,404**	**$5,344,541**

The activity with respect to UCLA's current and noncurrent debt for the years ended June 30 is as follows:

(in thousands of dollars)	REVENUE BONDS	FINANCING OBLIGATIONS	OTHER BORROWINGS	TOTAL
Year Ended June 30, 2022				
Long-term debt and financing obligations at June 30, 2021	$4,969,997	$847,598	$152,206	$5,969,801
New obligations	703,100	45,052		748,152
Bond premium, net	21,293			21,293
Refinance or prepayment of outstanding debt	(93,112)	(76,209)		(169,321)
Scheduled principal payments	(93,593)	(76,594)	(9,312)	(179,499)
Amortization of bond premium	(15,692)			(15,692)
Long-term debt and financing obligations at June 30, 2022	**5,491,993**	**739,847**	**142,894**	**6,374,734**
Less: Current portion	(389,648)	(74,969)	(76,713)	(541,330)
Noncurrent portion at June 30, 2022	**$5,102,345**	**$664,878**	**$66,181**	**$5,833,404**
Year Ended June 30, 2021				
Long-term debt and financing obligations at June 30, 2020	$3,519,688	$893,767	$173,371	$4,586,826
New obligations	1,570,485	77,762		1,648,247
Bond premium, net	81,934			81,934
Refinance or prepayment of outstanding debt	(76,212)	(31,972)		(108,184)
Scheduled principal payments	(111,110)	(91,959)	(21,165)	(224,234)
Amortization of bond premium	(14,788)			(14,788)
Long-term debt and financing obligations at June 30, 2021	**4,969,997**	**847,598**	**152,206**	**5,969,801**
Less: Current portion	(381,060)	(161,181)	(83,019)	(625,260)
Noncurrent portion at June 30, 2021	**$4,588,937**	**$686,417**	**$69,187**	**$5,344,541**

Commercial Paper

The University has available a $2.0 billion commercial paper program, issued in two series, with tax-exempt and taxable components. Commercial paper may be issued for interim financing for capital projects or equipment, financing of working capital for the medical centers, standby or interim financing for gift-financed projects, and working capital for the University.

The program's liquidity is primarily supported by available investments in STIP and TRIP. Commercial paper is collateralized by a pledge of the revenues derived from the ownership or operation of the projects financed and constitutes limited obligations of the University. There is no encumbrance, mortgage, or other pledge of property securing commercial paper, and the paper does not constitute general obligations of the University.

The expectation is that the University will continue to utilize available investments for liquidity support of the commercial paper program. Alternatively, the University may utilize lines of credit from external banks for the purpose of providing additional liquidity support for the commercial paper program. As of June 30, 2022, the University has two revolving credit agreements totaling $700.0 million. There were no borrowings against the revolving credit lines as of June 30, 2022.

Commercial paper outstanding for UCLA, including interest rates, at June 30 is as follows:

	2022		2021	
(in thousands of dollars)	**INTEREST RATES**	**OUTSTANDING**	**INTEREST RATES**	**OUTSTANDING**
Tax-exempt	1.19 - 1.2%	$6,824	0.08 - 0.11%	$6,807
Taxable	0.26 - 2.2%	30,202	0.04 - 0.16%	12,660
Total Outstanding		**$37,026**		**$19,467**

University of California Revenue Bonds

Revenue bonds have financed various auxiliary, administrative, academic, medical center, and research facilities of the University. The bonds generally have annual principal and semiannual or monthly interest payments, serial and term maturities, contain sinking fund requirements, and may have optional redemption provisions. Revenue bonds are not collateralized by any encumbrance, mortgage, or other pledge of property, except pledged revenues, and do not constitute general obligations of The Regents. Revenue Bond Indentures require the University to use the facilities in a way which will not cause the interest on the tax-exempt bonds to be included in the gross income of the bondholders for federal tax purposes. The Indentures permit the University to issue additional bonds as long as certain conditions are met.

General Revenue Bonds are collateralized solely by General Revenues as defined in the General Revenue Bond Indenture. General Revenues are certain operating and nonoperating revenues of the University consisting of gross student tuition and fees; a portion of state appropriations; facilities and administrative cost recovery from contracts and grants; revenues from educational, auxiliary, and other activities; and other revenues, including unrestricted investment income. The General Revenue Bond Indenture requires the University to set rates, charges, and fees each year sufficient for General Revenues to pay for the annual principal and interest on the bonds and certain other covenants. The pledge of General Revenues for interest rate swap agreements is on a parity basis with the University's General Revenue Bonds. UCLA's General Revenues for the years ended June 30, 2022 and 2021 were $5.3 billion and $4.5 billion, respectively.

Limited Project Revenue Bonds are issued to finance auxiliary enterprises and are collateralized by a pledge consisting of the sum of the gross revenues of specific projects. The Limited Project Revenue Bond Indenture requires the University to achieve the sum of revenues equal to 1.1 times debt service and to maintain certain other covenants. The pledge of revenues for Limited Project Revenue Bonds is subordinate to the pledge of revenues for General Revenue Bonds, but senior to pledges for commercial paper notes. UCLA's pledged revenues for the years ended June 30, 2022 and 2021 were $499.5 million and $199.3 million, respectively.

Medical Center Pooled Revenue Bonds are issued to finance the University's medical center facilities and are collateralized by a joint and several pledges of the gross revenues of all five of the University's medical centers. Medical center gross revenues are excluded from General Revenues. The Medical Center Pooled Revenue Bond Indenture requires the medical centers to set rates, charges, and fees each year sufficient for the medical centers' total operating and nonoperating revenues to pay for the annual principal and interest on the bonds and certain other covenants. The pledge of the medical center revenues for interest rate swap agreements may be at parity with, or subordinate to, Medical Center Pooled Revenue Bonds. Pledged revenues of the medical centers for the years ended June 30, 2022 and 2021 were $17.6 billion and $15.8 billion, respectively. Pledged revenues for the UCLA Medical Center for the years ended June 30, 2022 and 2021 were $3.4 billion and $3.2 billion, respectively.

2022 Activity

In May 2022, Medical Center Revenue Bonds totaling $634 million, including $463 million in taxable bonds, were issued for working capital purposes and to finance the acquisition, construction, improvement and renovation of certain facilities at UCLA's medical centers. The bonds mature at various dates through 2054 and have a stated weighted average interest rate of 4.5 percent. Proceeds of $400 million of the taxable bonds will be used for operations. Proceeds of the tax-exempt bonds, including a bond premium of $9 million, and the remaining proceeds of the taxable bonds, were issued to pay for project construction and issuance costs. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

In March 2021, UCLA priced $69.1 million of tax-exempt Limited Project Revenue Bonds that were delivered in February 2022. Proceeds of the bonds, including a bond premium of $15.9 million, were used to pay for issuance costs and to repay $83.8 million of outstanding Limited Project Revenue Bonds at the call date. The bonds have a stated weighted average interest rate of 5.0 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

Leases

UCLA entered into leases resulting in right-to-use assets totaling $79 million and $73 million for the years ended June 30, 2022 and 2021, respectively.

UCLA has leases for land, buildings and equipment under agreements that extend through 2062. Some leases include one or more options to renew, with renewal terms that can extend the lease term from five to ten years. Leases may also include options to terminate the leases.

Certain of UCLA's lease agreements include rental payments adjusted periodically primarily for inflation. The lease agreements do not contain any material lease incentive received, residual value guarantees, material restrictive covenants or material termination penalties. UCLA also subleases certain real estate to third parties.

UCLA measures the lease liability at the present value of payments expected to be made during the lease term. Leases with a term of 12 months or less, real estate leases with cumulative undiscounted payments of less than $300,000 (including option periods) or equipment leases with cumulative undiscounted payments of less than $100,000 (including option periods) are recognized as operating expense on a straight-line basis over the lease term. If the interest rate implicit in the lease cannot be readily determined, UCLA uses an incremental borrowing rate to discount the lease payments, which is an estimate of the interest rate that would be charged for borrowing the lease payment amounts during the lease term.

Future minimum payments on leases with an initial or remaining non-cancelable term in excess of one year are as follows:

	UCLA		
(in thousands of dollars)	**PRINCIPAL**	**INTEREST**	**TOTAL PAYMENTS**
Year Ending June 30			
2023	$61,772	$25,872	$87,644
2024	62,708	23,523	86,231
2025	63,117	20,988	84,105
2026	62,991	18,559	81,550
2027	60,535	16,259	76,794
2028-2032	248,663	49,503	298,166
2033-2037	105,502	14,829	120,331
2038-2042	30,333	2,601	32,934
2043-2047	2,464	169	2,633
2048-2052	66	25	91
2053-2057	75	15	90
2058-2062	76	5	81
Total	**$698,302**	**$172,348**	**$870,650**

Other University Borrowings

Other University borrowings consist of contractual obligations resulting from the acquisition of land or buildings and the construction and renovation of certain facilities, along with the borrowing component associated with a hybrid derivative instrument.

As part of the University, UCLA may use uncollateralized revolving lines of credit with commercial banks for capital purposes and to provide interim financing for buildings and equipment. The University's lines of credit commitments for general corporate purposes, which expire on November 30, 2022, totaled $200 million at June 30, 2022 and 2021. UCLA's outstanding borrowings under these bank lines totaled $74 million and $80 million at June 30, 2022 and 2021, respectively.

Certain of the interest rate swaps are considered hybrid instruments. As such, the interest rate swaps are comprised of a derivative instrument and a companion instrument recorded as a borrowing. The unamortized amount of the borrowing was $69 million and $72 million at June 30, 2022 and 2021, respectively.

Future Debt Service and Hedging Derivative Interest-Rate Swaps

Future debt service payments for UCLA's fixed- and variable-rate debt, for each of the five fiscal years subsequent to June 30, 2022, and thereafter are as presented below. Although not a prediction by UCLA of the future interest cost of the variable-rate bonds, these amounts assume that current interest rates on variable-rate bonds will not change. As these rates vary, variable-rate bond interest payments will vary.

(in thousands of dollars)	COMMERCIAL PAPER	REVENUE BONDS	FINANCING OBLIGATIONS	OTHER UNIVERSITY BORROWINGS	TOTAL PAYMENTS	PRINCIPAL	INTEREST
Year Ending June 30							
2023	$37,110	$310,489	$14,945	$76,713	$439,257	$236,716	$202,541
2024		308,237	11,029	3,008	322,274	124,526	197,748
2025		421,746	8,711	3,008	433,465	240,076	193,389
2026		293,683	7,452	3,008	304,143	116,313	187,830
2027		437,849	1,797	3,008	442,654	259,333	183,321
2028-2032		1,991,391		15,040	2,006,431	1,175,395	831,036
2033-2037		1,245,877		15,040	1,260,917	651,453	609,464
2038-2042		1,062,635		15,040	1,077,675	609,500	468,175
2043-2047		941,224		9,029	950,253	608,563	341,690
2048-2052		958,473			958,473	727,431	231,042
2053-2057		188,072			188,072	39,535	148,537
2058-2120		1,960,609			1,960,609	692,546	1,268,063
Total future debt service	**37,110**	**10,120,285**	**43,934**	**142,894**	**10,344,223**	**$5,481,387**	**$4,862,836**
Less: Interest component of future payments	(84)	(4,860,363)	(2,389)		(4,862,836)		
Principal portion of future payments	**37,026**	**5,259,922**	**41,545**	**142,894**	**5,481,387**		
Adjusted by:							
Unamortized bond premium		232,071			232,071		
Total debt	**$37,026**	**$5,491,993**	**$41,545**	**$142,894**	**$5,713,458**		

General Revenue Bonds of $85.8 million are variable-rate demand bonds which primarily reset daily and, in the event of a failed remarketing, can be put back to The Regents for tender. UCLA has classified these bonds as current liabilities as of June 30, 2022.

Medical Center Pooled Revenue Bonds of $180.5 million are variable-rate demand bonds which give the debt holders the ability to tender the bonds back to the University upon demand. UCLA has classified these bonds as current liabilities as of June 30, 2022.

For UCLA's cash flow hedges, future debt service payments for UCLA's variable-rate debt and net receipts or payments on the associated hedging derivative instruments for each of the five fiscal years subsequent to June 30, 2022, and thereafter are as presented below. Although not a prediction by UCLA of the future interest cost of the variable-rate bonds or the impact of the interest rate swaps, using rates as of June 30, 2022, combined debt service requirements of the variable-rate debt and net swap payments are as follows:

	VARIABLE-RATE BONDS			
(in thousands of dollars)	**PRINCIPAL**	**INTEREST**	**INTEREST RATE SWAP, NET**	**TOTAL PAYMENTS**
Year Ending June 30				
2023	$3,365	$1,327	$5,488	$10,180
2024	3,525	1,323	5,420	10,268
2025	3,675	1,296	5,400	10,371
2026	3,840	1,279	5,294	10,413
2027	4,025	1,261	5,188	10,474
2028-2032	23,065	5,981	24,219	53,265
2033-2037	28,890	5,330	20,791	55,011
2038-2042	48,805	4,459	13,753	67,017
2043-2047	128,577	2,519	4,743	135,839
2048	18,534	86		18,620
Total	**$266,301**	**$24,861**	**$90,296**	**$381,458**

9. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

UCLA's composition of deferred outflows of resources at June 30 are summarized as follows:

(in thousands of dollars)	**2022**	**2021**
Net pension liability	$1,295,649	$755,536
Net retiree health benefits liability	1,174,829	1,416,735
Debt refunding	26,806	31,286
Interest rate swap agreements	35,601	69,989
Asset retirement obligations	182	182
Total	**$2,533,067**	**$2,273,728**

UCLA's composition of deferred inflows of resources at June 30 are summarized as follows:

(in thousands of dollars)	**2022**	**2021**
Net pension liability	$91,854	$2,281,593
Net retiree health benefits liability	2,384,402	1,396,962
Debt refunding	7,798	1,244
Royalty sales	290,750	338,549
Leases	17,691	16,388
Total	**$2,792,495**	**$4,034,736**

10. THE UNIVERSITY OF CALIFORNIA RETIREMENT PLANS

Most UCLA employees participate in the University of California Retirement System (UCRS). UCRS consists of University of California Retirement Plan (UCRP), a governmental defined benefit plan funded with University and employee contributions; The University of California Retirement Savings Program (UCRSP), which includes defined contribution plans with options to participate in internally or externally managed investment portfolios generally funded with employee nonelective and elective contributions; and University of California Voluntary Early Retirement Incentive Plan (UC-VERIP), a defined benefit plan for UCLA employees who were members of the California Public Employees' Retirement System (CalPERS) who elected early retirement. The Regents have the authority to establish and amend UCRS, and administration authority with respect to the UCRS plans is vested with the President of the University as plan administrator.

Condensed financial information related to each plan in UCRS and the changes in pension liability for UCRP and UC-VERIP for the year ended June 30, 2022 is as follows:

(in thousands of dollars)	UNIVERSITY OF CALIFORNIA RETIREMENT PLAN	UNIVERSITY OF CALIFORNIA UC-VERIP	UNIVERSITY OF CALIFORNIA RETIREMENT SAVINGS PROGRAM	TOTAL
CONDENSED STATEMENT OF PLAN FIDUCIARY NET POSITION				
Investments at fair value	$81,464,992	$65,011	$27,609,798	$109,139,801
Participants' interests in mutual funds			2,012,040	2,012,040
Investment of cash collateral	7,198,910	5,743	3,196,346	10,400,999
Other assets	813,949	494	344,256	1,158,699
Total assets	**89,477,851**	**71,248**	**33,162,440**	**122,711,539**
Collateral held for securities lending	7,198,909	5,743	3,196,347	10,400,999
Other liabilities	915,914	481	32,387	948,782
Total liabilities	**8,114,823**	**6,224**	**3,228,734**	**11,349,781**
Net position held in trust	**$81,363,028**	**$65,024**	**$29,933,706**	**$111,361,758**
CONDENSED STATEMENT OF CHANGES IN PLAN FIDUCIARY NET POSITION				
Contributions	$3,998,026		$2,011,485	$6,009,511
Net appreciation (depreciation) in fair value of investments	(10,825,110)	$(12,299)	(5,612,919)	(16,450,328)
Investment and other income, net	1,059,235	4,446	714,423	1,778,104
Total additions, net	**(5,767,849)**	**(7,853)**	**(2,887,011)**	**(8,662,713)**
Benefit payment and participant withdrawals	4,534,161	3,324	1,923,293	6,460,778
Other deductions	84,760	3	3,888	88,651
Total deductions	**4,618,921**	**3,327**	**1,927,181**	**6,549,429**
Change in net position held in trust	**(10,386,770)**	**(11,180)**	**(4,814,192)**	**(15,212,142)**
Net position held in trust				
Beginning of year	91,749,798	76,204	34,747,898	126,573,900
End of year	**$81,363,028**	**$65,024**	**$29,933,706**	**$111,361,758**
CHANGES IN TOTAL PENSION LIABILITY				
Service cost	$2,588,194			$2,588,194
Interest	6,633,210	$1,384		6,634,594
Difference between expected and actual experience	284,807	108		284,915
Benefits paid, including refunds of employee contributions	(4,534,161)	(3,324)		(4,537,485)
Net change in total pension liability	**4,972,050**	**(1,832)**		**4,970,218**
Total pension liability				
Beginning of year	97,663,860	22,059		97,685,919
End of year	**$102,635,910**	**$20,227**		**$102,656,137**
Net pension liability (asset), end of year	**$21,272,882**	**$(44,797)**		**$21,228,085**

Additional information on the retirement plans can be obtained from the 2021-2022 annual reports of the University of California Retirement System which can be obtained at http://reportingtransparency.universityofcalifornia.edu.

University of California Retirement Plan (UCRP)

UCRP provides lifetime retirement income, disability protection, death benefits, and postretirement and preretirement survivor benefits to eligible employees of the University, its affiliates, and their survivors and beneficiaries.

The University's membership in UCRP consisted of the following at June 30, 2022:

	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	UNIVERSITY OF CALIFORNIA
Retirees and beneficiaries receiving benefits	72,654	12,812	85,466
Inactive members entitled to, but not receiving benefits	105,032	7,895	112,927
Active members:			
Vested	81,884	1,735	83,619
Nonvested	50,600	681	51,281
Total active members	**132,484**	**2,416**	**134,900**
Total membership	**310,170**	**23,123**	**333,293**

Contributions

Contributions to UCRP are based upon rates determined by The Regents. The Regents' funding policy provides for contributions at rates to maintain UCRP on an actuarially sound basis. While the University's independent actuary annually determines the total funding policy contributions, the University is not required to contribute an amount equal to the total funding contribution. The actual contributions and the contribution rates of the University and employees are based on numerous factors, including the availability of funds to the University, the impact of employee contributions on the competitiveness of the University's total remuneration package, and collective bargaining agreements.

The Regents determine the portion of the total contribution to be made by the employer and by the employees, and employee contribution rates for represented employees are subject to collective bargaining. Additional information on UCRP contributions can be obtained from the 2021-2022 annual report of the University of California Retirement System.

Net Pension Liability

All UCRP assets are available to pay any member's benefit. However, assets and liabilities for the campus and medical center segment of UCRP are internally tracked separately from the DOE national laboratory segments of UCRP. The net pension liability for UCRP was as follows:

(in thousands of dollars)	UCLA CAMPUS AND MEDICAL CENTER*	CAMPUSES AND MEDICAL CENTERS TOTAL	DOE NATIONAL LABORATORIES	UNIVERSITY OF CALIFORNIA
At June 30, 2022				
UCRP net position	$16,256,986	$72,254,382	$9,108,646	$81,363,028
Total pension liability	20,805,158	92,468,791	10,167,119	102,635,910
Net pension liability	**$4,548,172**	**$20,214,409**	**$1,058,473**	**$21,272,882**
At June 30, 2021				
UCRP net position	$18,343,505	$80,873,774	$10,876,024	$91,749,798
Total pension liability	19,853,851	87,532,664	10,131,196	97,663,860
Net pension liability (asset)	**$1,510,346**	**$6,658,890**	**$(744,828)**	**$5,914,062**

Pro-rata estimate based on UCLA's respective percentage of covered payroll.

The net pension liability for UCRP was measured as of June 30 and was calculated using the plan net position valued as of the measurement date and total pension liability determined by rolling forward the total pension liability from the results of the actuarial valuations as of July 1, one year prior to the measurement date. The actuarial assumptions used as of June 30, 2021 were based on the results of the most recent experience study covering the period of July 1, 2014 through June 30, 2018. The net pension liability for UCRP was calculated using the following methods and assumptions:

Inflation	2.50%
Investment rate of return	6.75
Projected salary increases	3.65 - 5.95
Cost-of-living adjustments[1]	4.41% for those who retired 7/2/2019 - 7/1/2020; 3.69% for all others eligible for COLA

[1] *Greater than the 2.00% assumption from the recent experience study*

Mortality rates used to calculate the net pension liability were:

MORTALITY RATES	
Preretirement	Pub-2010 Teacher Employee Amount-Weighted Above-Median Mortality Table
Postretirement Healthy Members	Pub-2010 Healthy Teacher Amount-Weighted Above-Median Mortality Table multiplied by 90 percent for male faculty members, 95 percent for female faculty members, 100 percent for other male members, and 110 percent for other female members
Postretirement Disabled Members	Pub-2010 Non-Safety Disabled Retiree Amount- Weighted Mortality Table
Beneficiaries of Retired Members	Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Table multiplied by 100 percent for males and 90 percent for females

All mortality tables above were projected generationally with the two-dimensional mortality improvement scale MP-2018.

The long-term expected investment rate of return assumption for UCRP was determined based on the aforementioned experience study, using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

	TARGET ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN
Asset Class:		
U.S. equity	27.6%	5.6%
Developed international equity	16.8	6.5
Emerging market equity	5.6	8.6
Core bonds	13.0	1.5
High-yield bonds	2.5	3.7
Treasury inflation-protected securities	2.0	1.2
Emerging market debt	2.5	3.9
Private equity	10.0	9.2
Real estate	7.0	6.6
Absolute return	10.0	3.3
Real assets	3.0	5.6
Total	**100.0%**	

Discount Rate

The discount rate used to estimate the net pension liability was 6.75 percent as of June 30, 2022 and 2021. To calculate the discount rate, cash flows into and out of UCRP were projected in order to determine whether UCRP has sufficient cash in future periods for projected benefit payments for current members. For this purpose, University, state, and member contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected University contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are not included. UCRP was projected to have assets sufficient to make projected benefit payments for current members for all future years as of June 30, 2022 and 2021.

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the June 30, 2022 net pension liability of the University calculated using the June 30, 2022 discount rate assumption of 6.75 percent, as well as what the net pension liability would be if it were calculated using a discount rate different than the current assumption:

(in thousands of dollars)	1% DECREASE (5.75%)	CURRENT DISCOUNT (6.75%)	1% INCREASE (7.75%)
UCRP	$35,119,760	$21,272,882	$9,893,394
UCRP (UCLA campus portion, including medical center)*	7,663,672	4,548,172	1,987,827
UC-VERIP	(43,826)	(44,797)	(45,675)

**Pro-rata estimate based on UCLA's respective percentage of covered payroll.*

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources:

(in thousands of dollars)	UCLA CAMPUS AND MEDICAL CENTER*	CAMPUSES AND MEDICAL CENTERS TOTAL	DOE NATIONAL LABORATORIES	TOTAL UCRP	UC-VERIP	TOTAL
At June 30, 2022						
DEFERRED OUTFLOWS OF RESOURCES						
Difference between expected and actual experience	$119,088	$521,042		$521,042		$521,042
Changes of assumptions or other inputs	280,638	1,227,868		1,227,868		1,227,868
Net difference between projected and actual earnings on pension plan investments	895,923	3,919,906	$434,207	4,354,113	$3,207	4,357,320
Total	**$1,295,649**	**$5,668,816**	**$434,207**	**$6,103,023**	**$3,207**	**$6,106,230**
DEFERRED INFLOWS OF RESOURCES						
Difference between expected and actual experience	$91,854	$112,415		$112,415		$112,415
Total	**$91,854**	**$112,415**		**$112,415**		**$112,415**

(in thousands of dollars)	UCLA CAMPUS AND MEDICAL CENTER*	CAMPUSES AND MEDICAL CENTERS TOTAL	DOE NATIONAL LABORATORIES	TOTAL UCRP	UC-VERIP	TOTAL
At June 30, 2021						
DEFERRED OUTFLOWS OF RESOURCES						
Difference between expected and actual experience	$125,228	$537,863		$537,863		$537,863
Changes of assumptions or other inputs	630,308	2,707,225		2,707,225		2,707,225
Total	**$755,536**	**$3,245,088**		**$3,245,088**		**$3,245,088**
DEFERRED INFLOWS OF RESOURCES						
Difference between expected and actual experience	$39,914	$171,271		$171,271		$171,271
Net difference between projected and actual earnings on pension plan investments	2,241,679	9,619,164	$1,336,207	10,955,371	$9,247	10,964,618
Total	**$2,281,593**	**$9,790,435**	**$1,336,207**	**$11,126,642**	**$9,247**	**$11,135,889**

**Pro-rata estimate based on UCLA's respective percentage of covered payroll.*

Net deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense during the years ended June 30 as follows:

(in thousands of dollars)	UCLA CAMPUS AND MEDICAL CENTER*	CAMPUSES AND MEDICAL CENTERS TOTAL	DOE NATIONAL LABORATORIES	TOTAL UCRP	UC-VERIP	TOTAL
2023	$442,301	$2,041,547	$67,979	$2,109,526	$537	$2,110,063
2024	131,514	607,034	45,431	652,465	365	652,830
2025	9,314	42,990	(44,399)	(1,409)	(271)	(1,680)
2026	620,666	2,864,830	365,196	3,230,026	2,576	3,232,602
Total	**$1,203,795**	**$5,556,401**	**$434,207**	**$5,990,608**	**$3,207**	**$5,993,815**

Pro-rata estimate based on UCLA's respective percentage of covered payroll.

Defined Contribution Plan (DC Plan) / Supplemental Defined Contribution Plan (SDC Plan)

The DC Plan was established by resolution of The Regents to accept after-tax contributions and pretax contributions. The Regents established the SDC Plan to provide retirement benefits to certain designated employees of the University and their beneficiaries.

Additional information on the DC Plan and SDC Plan can be obtained from the 2021-2022 annual report of the University of California Retirement System.

Tax Deferred 403(b) Plan

The University's Tax-Deferred 403(b) Plan (403(b) Plan) accepts pretax employee contributions.

Additional information on the 403(b) Plan can be obtained from the 2021-2022 annual report of the University of California Retirement System.

UCLA employer contributions to the 403(b) Plan were $1.91 million and $1.82 million for the years ended June 30, 2022 and 2021, respectively.

457(b) Deferred Compensation Plan

The University's 457(b) Deferred Compensation Plan (457(b) Plan) accepts pretax employee contributions.

Additional information on the 457(b) Plan can be obtained from the 2021-2022 annual report of the University of California Retirement System.

There were no employer contributions to the 457(b) Plan for the years ended June 30, 2022 and 2021.

Participants in the DC Plan, the SDC Plan, the 403(b) Plan, and the 457(b) Plan may direct their elective and nonelective contributions to investment funds managed by the University. They may also invest account balances in certain mutual funds. The participants' interests in mutual funds is shown separately in the Statement of Plans' Fiduciary Net Position.

University of California Voluntary Early Retirement Incentive Program (UC-VERIP)

UC-VERIP is a defined benefit pension plan providing lifetime supplemental retirement income and survivor benefits to UC-VERIP members who elected early retirement under CalPERS.

Additional information on the UC-VERIP can be obtained from the 2021-2022 annual report of the University of California Retirement System.

The University and the DOE laboratories previously made contributions to the UC-VERIP, sufficient to maintain the promised benefits. The actuarially determined contributions are zero for the years ending June 30, 2022 and 2021.

11. RETIREE HEALTH BENEFIT COSTS AND OBLIGATIONS

The University administers single-employer health and welfare plans to provide health and welfare benefits, primarily medical, dental, and vision, to eligible retirees (and their eligible family members) of the University of California and its affiliates through the University of California Retiree Health Benefit Program. The Regents have the authority to establish and amend the program. While retiree health benefits are not a legal obligation of the University and can be canceled or modified at any time, accounting standards require the University to recognize a net retiree health liability based on the current practices of providing retiree health benefits.

The University established the University of California Retiree Health Benefit Trust (UCRHBT) in order to allow certain University locations and affiliates (primarily campuses and medical centers) that share the risks, rewards, and costs of providing for retiree health benefits to fund such benefits on a cost-sharing basis and accumulate funds on a tax-exempt basis under an arrangement segregated from University assets. Campus and medical center contributions toward retiree health benefits are made to UCRHBT at rates determined by the University. The University receives retiree health contributions from retirees that are deducted from their UCRP benefit payments or are received from the retiree through direct pay. The University acts as a third-party administrator on behalf of UCRHBT and pays health care insurers and administrators amounts currently due under the Retiree Health Benefit Program for retirees. UCRHBT reimburses the University for these amounts.

Condensed financial information related to UCRHBT and the changes in retiree health benefits liability for the year ended June 30, 2022 is as follows:

(in thousands of dollars)	UCLA CAMPUS AND MEDICAL CENTER *	CAMPUSES AND MEDICAL CENTERS TOTAL	LBNL	UNIVERSITY OF CALIFORNIA
Contributions	$121,631	$556,105	$21,366	$577,471
Investment income, net	75	345		345
Total additions	**121,706**	**556,450**	**21,366**	**577,816**
Insurance premiums, net	(119,020)	(544,166)	(21,366)	(565,532)
Other deductions	(969)	(4,431)		(4,431)
Total deductions	**(119,989)**	**(548,597)**	**$(21,366)**	**(569,963)**
Change in net position held in UCRHBT	**1,717**	**7,853**		**7,853**
Net position held in UCRHBT, beginning of year	38,592	171,621		171,621
Net position held in UCRHBT, end of year	**$40,309**	**$179,474**		**$179,474**

(in thousands of dollars)	UCLA CAMPUS AND MEDICAL CENTER *	CAMPUSES AND MEDICAL CENTERS TOTAL	LBNL	UNIVERSITY OF CALIFORNIA
CHANGES IN TOTAL RETIREE HEALTH BENEFITS LIABILITY				
Service cost	$285,606	$1,305,803	$31,121	$1,336,924
Interest	120,279	549,921	15,758	565,679
Difference between expected and actual experience	30,292	138,495	38,743	177,238
Changes of assumptions and other inputs	(1,413,938)	(6,167,373)	(174,345)	(6,341,718)
Benefits paid	(119,020)	(544,166)	(21,366)	(565,532)
Retiree contributions	19,217	87,861	2,849	90,710
Net change in total retiree health benefits liability	**(1,077,564)**	**(4,629,459)**	**(107,240)**	**(4,736,699)**
Total retiree health benefits liability				
Beginning of year	5,529,875	24,380,432	707,628	25,088,060
End of year	**4,452,311**	**19,750,973**	**600,388**	**20,351,361**
Net retiree health benefit liability, end of year	**$4,412,002**	**$19,571,499**	**$600,388**	**$20,171,887**

Pro-rata estimate based on UCLA's respective percentage of covered payroll.

Benefits

Retirees are eligible for medical and dental benefits. The costs of the medical and dental benefits are shared between the University and the retiree. The University does not contribute toward the cost of other benefits available to retirees. Retirees employed by the University prior to 1990 and not rehired after that date are eligible for the University's maximum contribution if they retire before age 55 and have at least 10 years of service, or if they retire at age 55 or later and have at least 5 years of service. Retirees employed by the University after 1989 and prior to July 1, 2013 become eligible for a percentage of the University's contribution starting at 50 percent of the maximum University contribution with 10 years of service or if age plus years of service equal at least 75, and increasing to 100 percent after 20 years of service. Retirees who are employed by the University after July 1, 2013, and retire at the age of 56 or older, become eligible for a percentage of the University's contribution based on age and years of service. These retirees are eligible for the maximum University contribution at age 65 with 20 or more years of service. Retirees pay the excess, if any, of the premium over the applicable portion of the University's contribution.

Membership in a defined benefit plan to which the University contributes or participation in the DC Plan is required to become eligible for retiree health benefits. Participation in the Retiree Health Benefit Program plans consisted of the following at June 30, 2022:

	CAMPUSES AND MEDICAL CENTERS	LBNL	UNIVERSITY OF CALIFORNIA
Retirees and beneficiaries receiving benefits	47,765	1,867	49,632
Active members	142,615	2,909	145,524
Total membership	**190,380**	**4,776**	**195,156**

Contributions

The University does not pre-fund retiree health benefits and instead provides for benefits based upon projected pay-as-you-go financing. University and retiree contributions toward premiums made under purchased plan arrangements are determined by applying the health plan contract rates across the number of participants in the respective plans. Premium rates for the self-insured plan contributions are set by the University based upon a trend analysis of the historic cost, utilization, demographics, and administrative expenses to provide for the claims incurred and the actuarially determined level of incurred but not reported liability. The assessment rates were $2.36 and $2.58 per $100 of UCRP covered payroll effective July 1, 2021 and 2020, respectively.

In addition to the explicit University contribution provided to retirees, there is an "implicit subsidy." The gross premiums for members that are not currently eligible for Medicare benefits are the same for active employees and retirees, based on a blend of their health costs. Retirees, on average, are expected to have higher health care costs than active employees. This is primarily due to the older average age of retirees. Since the same gross premiums apply to both groups, the premiums paid for active employees by the University are subsidizing the premiums for retirees. This effect is called the implicit subsidy. The implicit subsidy associated with retiree health costs paid during the past year is also considered to be a contribution from the University.

Net Retiree Health Benefits Liability

The University's net retiree health benefits liability was measured as of June 30 based on rolling forward the results of the actuarial valuations as of March 1, one year prior to the measurement date. Actuarial valuations represent a long-term perspective and involve estimates of the value of reported benefits and assumptions about the probability of occurrence of events far into the future. Significant actuarial methods and assumptions used to calculate the University's net retiree health benefits liability were:

(shown as percentages)	**2022**	**2021**
Discount rate[1]	3.54%	2.16%
Inflation	2.5	2.5
Investment rate of return	2.5	2.5
Health care cost trend rates	Initially ranges from 1.4 to 14.6 decreasing to an ultimate rate of 3.9 for 2075 and later years.	Initially ranges from 2.7 to 7.5 decreasing to an ultimate rate of 4.0 for 2075 and later years.

[1]*The discount rate was based on the Bond Buyer 20-year tax-exempt general obligations municipal bond index rate since UCHRBT assets are not sufficient to make projected benefit payments.*

Mortality Rates

Mortality rates used to calculate the University's net retiree health benefits liability were:

MORTALITY RATES

Preretirement	Pub-2010 Teacher Employee Headcount-Weighted Above-Median Mortality Table
Postretirement Healthy Members	Pub-2010 Healthy Teacher Retiree Headcount-Weighted Above-Median Mortality Table multiplied by 90 percent for faculty members or 115 percent and 110 percent for other male and female members, respectively.
Postretirement Disabled Members	Pub-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table
Beneficiaries of Retired Members	Pub-2010 Contingent Survivor Headcount-Weighted Above-Median Mortality Table

All mortality rates are projected generationally with the two-dimensional mortality improvement scale MP-2018.

Actuarial assumptions are subject to periodic revisions as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions used as of June 30, 2022 and 2021 were based upon the results of the most recent experience study covering the period of July 1, 2014 through June 30, 2018.

Sensitivity of Net Retiree Health Benefits Liability to the Health Care Cost Trend Rate

The following presents the June 30, 2022 net retiree health benefits liability of the University as well as what the net retiree health benefits liability would be if it were calculated using the health care cost trend rate different than the current assumption:

(in thousands of dollars)	**1% DECREASE (0.4% to 13.6%) DECREASING TO (2.9%)**	**CURRENT TREND (1.4% to 14.6%) DECREASING TO (3.9%)**	**1% INCREASE (2.4% to 15.6%) DECREASING TO (4.9%)**
Net retiree health benefit liability: University of California	$16,792,957	$20,171,887	$24,610,512
Net retiree health benefit liability: UCLA Campus and Medical Center	3,672,956	4,412,002	5,382,811

Discount Rate

The discount rates used to estimate the net retiree health benefits liability as of June 30, 2022 and 2021 was 3.54 percent and 2.16 percent, respectively.

Sensitivity of Net Retiree Health Benefits Liability to the Discount Rate Assumption

The following presents the June 30, 2022 net retiree health benefits liability of the University as well as what the net retiree health benefits liability would be if it were calculated using a discount rate different than the current assumption:

(in thousands of dollars)	**1% DECREASE (2.54%)**	**CURRENT DISCOUNT (3.54%)**	**1% INCREASE (4.54%)**
Net retiree health benefit liability: University of California	$23,896,840	$20,171,887	$17,209,141
Net retiree health benefit liability: UCLA Campus and Medical Center	5,226,717	4,412,002	3,763,983

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources and deferred inflows of resources for retiree health benefits were related to the following sources:

2022 *(in thousands of dollars)*	**UCLA CAMPUS AND MEDICAL CENTER**	**CAMPUSES AND MEDICAL CENTERS TOTAL**	**LBNL**	**UNIVERSITY OF CALIFORNIA**
DEFERRED OUTFLOWS OF RESOURCES				
Difference between expected and actual experience	$35,211	$156,193	$32,320	$188,513
Changes of assumptions or other inputs	1,138,167	4,566,601	75,929	4,642,530
Net difference between projected and actual earnings on plan investments	1,451	6,437		6,437
Total	**$1,174,829**	**$4,729,231**	**$108,249**	**$4,837,480**
DEFERRED INFLOWS OF RESOURCES				
Difference between expected and actual experience	$641,800	$2,847,012	$65,098	$2,912,110
Changes of assumptions or other inputs	1,742,602	6,903,908	151,390	7,055,298
Total	**$2,384,402**	**$9,750,920**	**$216,488**	**$9,967,408**

2021 *(in thousands of dollars)*	**UCLA CAMPUS AND MEDICAL CENTER**	**CAMPUSES AND MEDICAL CENTERS TOTAL**	**LBNL**	**UNIVERSITY OF CALIFORNIA**
DEFERRED OUTFLOWS OF RESOURCES				
Difference between expected and actual experience	$9,990	$44,044	$1,316	$45,360
Changes of assumptions or other inputs	1,405,629	5,776,630	125,137	5,901,767
Net difference between projected and actual earnings on plan investments	1,116	4,916		4,916
Total	**$1,416,735**	**$5,825,590**	**$126,453**	**$5,952,043**
DEFERRED INFLOWS OF RESOURCES				
Difference between expected and actual experience	$808,185	$3,562,951	$103,739	$3,666,690
Changes of assumptions or other inputs	588,777	1,895,484	26,570	1,922,054
Total	**$1,396,962**	**$5,458,435**	**$130,309**	**$5,588,744**

The net amount of deferred outflows of resources and deferred inflows of resources as of June 30, 2022 related to retiree health benefits that will be recognized in retiree health benefit expense during the next five years and thereafter are as follows:

(in thousands of dollars)	UCLA CAMPUS AND MEDICAL CENTER	CAMPUSES AND MEDICAL CENTERS TOTAL	LBNL	UNIVERSITY OF CALIFORNIA
2023	$(162,809)	$(636,380)	$(28,147)	$(664,527)
2024	(189,492)	(754,751)	(17,250)	(772,001)
2025	(226,487)	(929,364)	(19,367)	(948,731)
2026	(147,302)	(573,665)	(26,823)	(600,488)
2027	(96,741)	(413,131)	(16,652)	(429,783)
Thereafter	(386,742)	(1,714,398)		(1,714,398)
Total	**$(1,209,573)**	**$(5,021,689)**	**$(108,239)**	**$(5,129,928)**

12. ENDOWMENTS AND GIFTS

The value of endowments and gifts held and administered by the University or by UCLA's foundations, excluding income distributed to be used for operating purposes, at June 30, 2022 and 2021, are as follows:

	UCLA		FOUNDATIONS	
(in thousands of dollars)	**2022**	**2021**	**2022**	**2021**
Restricted				
Endowments	$332,419	$329,877	$1,735,220	$1,604,267
Annuity and life income	907	1,019		
Nonexpendable	**333,326**	**330,896**	**1,735,220**	**1,604,267**
Endowments	752,712	884,959	435,211	741,483
Funds functioning as endowments	849,349	928,991	733,373	816,227
Annuity and life income	594	614		
Gifts	530,719	472,100	693,961	671,974
Expendable	**2,133,374**	**2,286,664**	**1,862,545**	**2,229,684**
Total restricted	**2,466,700**	**2,617,560**	**3,597,765**	**3,833,951**
Unrestricted				
Endowments	2,621	3,038		
Funds functioning as endowments	1,247,064	1,401,739		
Gifts	608	682	932,979	770,624
Total unrestricted	**1,250,293**	**1,405,459**	**932,979**	**770,624**
Total	**$3,716,993**	**$4,023,019**	**$4,530,744**	**$4,604,575**

University Endowments

The University's endowment income distribution policies are designed to preserve the value of the endowment in real terms (after inflation) and to generate a predictable stream of spendable income. Endowment investments are managed to achieve the maximum long-term total return. As a result of this emphasis on total return, the proportion of the annual income distribution provided by dividend and interest income and by capital gains may vary significantly from year to year. The University's policy is to retain the realized and unrealized appreciation with the endowment after the annual income distribution has been made. UCLA's net appreciation available to meet future spending needs is subject to the approval of The Regents and amounted to $1.9 billion and $2.2 billion at June 30, 2022 and 2021, respectively.

The portion of investment returns earned on endowments held by the University and distributed at the end of each year to support current operations for the following year is based upon a rate that is approved by The Regents. The annual income distribution transferred to UCLA from endowments held by the University was $68.4 million and $65.2 million for the years ended June 30, 2022 and 2021, respectively. The portion of this annual income distribution from accumulated capital gains, in addition to the dividend and interest income earned during the year, was $77.4 million and $66.3 million for the years ended June 30, 2022 and 2021, respectively. Accumulated endowment income available for spending in the future, including the annual income distribution, was $117.2 million and $106.1 million at June 30, 2022 and 2021, respectively.

UCLA Foundations

During the years ended June 30, 2022 and 2021, gifts of $292 million ($94 million from endowment investments and $198 million from current funds) and $296 million ($93 million from endowment investments and $203 million from current funds), respectively, were transferred to UCLA from the foundations.

13. OPERATING EXPENSES BY FUNCTION

Operating expenses, by functional classification, for the years ended June 30, 2022 and 2021, are as follows:

(in thousands of dollars)	**2022**	**2021**
Instruction	$3,142,043	$2,850,887
Research	1,095,528	963,283
Public service	245,239	189,153
Academic support	1,189,472	1,010,947
Student services	211,962	167,690
Institutional support	344,061	267,546
Operations and maintenance of plant	180,572	20,328
Student financial aid	221,303	186,862
Medical center	3,081,637	2,712,125
Auxiliary enterprises	369,208	312,795
Depreciation and amortization	493,813	495,867
Other	23,460	25,427
Total	**$10,598,298**	**$9,202,910**

14. SEGMENT INFORMATION - MEDICAL CENTER

The University's medical centers' revenues are pledged in support of the outstanding University of California Medical Center Pooled Revenue Bonds. The medical centers' operating revenues and expenses consist primarily of revenues associated with patient care and the related costs of providing that care.

Condensed financial statement information for the UCLA Medical Center for the years ended June 30, 2022 and June 30, 2021 is as follows:

(in thousands of dollars)	**2022**	**2021**
Revenue bonds outstanding	$1,750,698	$1,132,133
Related debt service payments	61,879	62,266
Bonds due serially through	2120	2120
CONDENSED STATEMENT OF NET POSITION		
Current assets	2,565,256	2,675,994
Capital assets, net	1,832,436	1,850,446
Other assets	989,967	504,049
Total assets	**5,387,659**	**5,030,489**
Total deferred outflows of resources	**828,461**	**797,814**
Current liabilities	743,155	950,768
Long-term debt, net of current portion	1,946,980	1,337,223
Other noncurrent liabilities	3,242,762	2,641,224
Total liabilities	**5,932,897**	**4,929,215**
Total deferred inflows of resources	**827,456**	**1,198,340**
Net investment in capital assets	384,019	712,356
Restricted	24,810	25,745
Unrestricted	(953,062)	(1,037,353)
Total net position	**$(544,233)**	**$(299,252)**

(in thousands of dollars)	**2022**	**2021**
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Operating revenues	$3,353,919	$3,175,129
Operating expenses before depreciation	(3,113,168)	(2,702,167)
Depreciation expense	(139,062)	(119,837)
Operating income	**101,689**	**353,125**
Nonoperating revenues (expenses), net	(82,893)	57,737
Income before other changes in net position	**$18,796**	**$410,862**
Health systems support	(251,099)	(260,127)
Transfers from University, net	2,402	
Changes in allocation for pension payable to University	(16,682)	17,852
Other, including donated assets	1,602	1,537
Change in net position	**(244,981)**	**170,124**
Net position - beginning of year	(299,252)	(469,376)
Net position - end of year	**$(544,233)**	**$(299,252)**

CONDENSED STATEMENT OF CASH FLOWS		
Net cash provided (used) by:		
Operating activities	$(53,783)	$473,827
Noncapital financing activities	191,448	(252,731)
Capital and related financing activities	17,611	(263,027)
Investing activities	(230,188)	152,185
Net change in cash and cash equivalents	**(74,912)**	**110,254**
Cash and cash equivalents* - beginning of year	1,706,524	1,596,270
Cash and cash equivalents* - end of year	**$1,631,612**	**$1,706,524**

Cash and cash equivalents on the medical centers' financial statements are included in the University's Short Term Investment Pool.

Summarized financial information in these tables is from the collective University of California medical centers' audited financial statements. Certain revenue, such as financial support from the state for clinical teaching programs, is classified as state educational appropriations rather than medical center revenue in UCLA's Statement of Revenues, Expenses, and Changes in Net Position. However, in the medical centers' audited financial statements and for segment reporting purposes, these revenues are classified as operating revenue. Additional information on the individual University of California medical centers can be obtained from their audited financial statements, which are available at https://www.ucop.edu/uc-controller/financial-reports/medical-center-financial-reports.html.

Certain revenue generating projects (including student and faculty housing, parking facilities, student centers, recreation and events facilities, student health facilities, and athletics facilities) are also financed by Limited Project Revenue Bonds; however, assets and liabilities are not required to be accounted for separately.

15. LEASES

UCLA is a lessor of land, buildings and equipment under agreements that extend through 2062. Some leases include one or more lessee options to renew, with renewal terms that can extend the lease term from five to ten years. These leases may also include lessee options to terminate the leases.

Certain of UCLA's lease agreements include rental payments that are adjusted periodically, primarily for inflation. The lease agreements do not contain any material lease incentives paid, residual value guarantees, material restrictive covenants or material termination penalties.

UCLA measures the deferred inflow of resources at the present value of payments expected to be received including any advance lease payments or lease incentives during the lease term.

During the years ended June 30, 2022 and 2021, UCLA recorded $3.8 million and $2.0 million, respectively, in lease revenues.

16. DISCRETELY PRESENTED COMPONENT UNIT INFORMATION — CAMPUS FOUNDATIONS

Under University policies, each individual campus may establish separate foundations to provide valuable assistance in fundraising, public outreach, and other support for the missions of the campus and the University. Although independent boards govern these foundations, their assets are dedicated for the benefit of the University of California.

The UCLA Foundation was established in 1945 to raise funds to benefit UCLA. In addition, the Jonsson Cancer Center Foundation/UCLA (JCCF) was established in 1956 with the primary purpose to raise funds for cancer research at UCLA. These two foundations are component units of UCLA. The combined financial statements of these two foundations are presented discretely in a separate column on UCLA's financial statements because of their nature and significance of their relationship with the campus.

Condensed financial statement information related to UCLA's foundations, including their allocated share of the assets and liabilities associated with securities lending transactions in the University's investment pools, for the years ended June 30, 2022 and 2021 is as follows:

	UCLA FOUNDATIONS		
(in thousands of dollars)	**UCLA FOUNDATION**	**JONSSON CANCER CENTER FOUNDATION**	**TOTAL**
Year Ended June 30, 2022			
CONDENSED STATEMENT OF NET POSITION			
Current assets	$921,067	$12,906	$933,973
Noncurrent assets	3,699,114	13,368	3,712,482
Total assets	**4,620,181**	**26,274**	**4,646,455**
Current liabilities	49,305	121	49,426
Noncurrent liabilities	29,954		29,954
Total liabilities	**79,259**	**121**	**79,380**
Total deferred inflow of resources	**36,240**	**91**	**36,331**
Restricted	3,583,141	14,624	3,597,765
Unrestricted	921,541	11,438	932,979
Total net position	**$4,504,682**	**$26,062**	**$4,530,744**
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION			
Operating revenues	$512,267	$14,388	$526,655
Operating expenses	(365,843)	(15,715)	(381,558)
Operating income (loss)	**146,424**	**(1,327)**	**145,097**
Nonoperating revenues	(372,631)	(836)	(373,467)
Loss before other changes in net position	**(226,207)**	**(2,163)**	**(228,370)**
Additions to permanent endowments	154,539		154,539
Change in net position	**(71,668)**	**(2,163)**	**(73,831)**
Net position - beginning of year	4,576,350	28,225	4,604,575
Net position - end of year	**$4,504,682**	**$26,062**	**$4,530,744**
CONDENSED STATEMENT OF CASH FLOWS			
Net cash provided (used) by:			
Operating activities	$191,753	$(1,606)	$190,147
Noncapital financing activities	138,393	20	138,413
Investing activities	(269,270)	1,337	(267,933)
Net change in cash and equivalents	**60,876**	**(249)**	**60,627**
Cash and cash equivalents - beginning of year	7,274	333	7,607
Cash and cash equivalents - end of year	**$68,150**	**$84**	**$68,234**

(in thousands of dollars)	UCLA FOUNDATIONS		
	UCLA FOUNDATION	**JONSSON CANCER CENTER FOUNDATION**	**TOTAL**
Year Ended June 30, 2021			
CONDENSED STATEMENT OF NET POSITION			
Current assets	$612,254	$14,104	$626,358
Noncurrent assets	4,081,331	15,230	4,096,561
Total assets	**4,693,585**	**29,334**	**4,722,919**
Current liabilities	25,579	811	26,390
Noncurrent liabilities	35,182		35,182
Total liabilities	**60,761**	**811**	**61,572**
Total deferred inflow of resources	**56,474**	**298**	**56,772**
Restricted	3,817,358	16,593	3,833,951
Unrestricted	758,992	11,632	770,624
Total net position	**$4,576,350**	**$28,225**	**$4,604,575**
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION			
Operating revenues	$287,749	$12,945	$300,694
Operating expenses	(366,422)	(13,766)	(380,188)
Operating loss	**(78,673)**	**(821)**	**(79,494)**
Nonoperating revenues	921,616	2,762	924,378
Income before other changes in net position	**842,943**	**1,941**	**844,884**
Additions to permanent endowments	116,367		116,367
Change in net position	**959,310**	**1,941**	**961,251**
Net position - beginning of year	3,617,040	26,284	3,643,324
Net position - end of year	**$4,576,350**	**$28,225**	**$4,604,575**
CONDENSED STATEMENT OF CASH FLOWS			
Net cash provided (used) by:			
Operating activities	$(80,845)	$(1,381)	$(82,226)
Noncapital financing activities	104,112		104,112
Investing activities	(23,982)	1,560	(22,422)
Net change in cash and equivalents	**(715)**	**179**	**(536)**
Cash and cash equivalents – beginning of year	7,989	154	8,143
Cash and cash equivalents - end of year	**$7,274**	**$333**	**$7,607**

Additional information on the foundations can be found in the foundations' separately issued annual reports, which can be obtained at: https://www.uclafoundation.org and www.cancer.ucla.edu.

17. COMMITMENTS AND CONTINGENCIES

Contractual Commitments

Amounts committed but unexpended for construction projects totaled $377.2 million at June 30, 2022.

Contingencies

Substantial amounts are received and expended by UCLA, including the UCLA Medical Center, under federal and state programs, and are subject to audit by cognizant governmental agencies. This funding relates to research, student aid, medical center operations, and other programs. UCLA management believes that any liabilities arising from such audits will not have a material effect on UCLA's financial position.

UCLA and the foundations are contingently liable in connection with certain other claims and contracts, including those currently in litigation, arising in the normal course of its activities. Although there are inherent uncertainties in any litigation, UCLA management and campus counsel are of the opinion that the outcome of such matters will not have a material effect on UCLA's financial position.

18. SUBSEQUENT EVENTS

In September 2022, General Revenue Bonds totaling $30.6 million, were issued to finance the improvement and renovation of UCLA's Public Affairs Building and La Kretz Botany Building. The bonds mature at various dates through 2052. Proceeds of the bonds were used to pay for project construction and issuance costs.

On January 26, 2023, UCLA completed the acquisition of Marymount California University. The purchase price for the acquisition was $80 million. The transaction was initially funded with cash and will be permanently financed through proceeds from external debt. As a result of this acquisition, Marymount California University will be consolidated into UCLA's financial statements in the fiscal year 2022-2023.

Required Supplementary Information

The required supplementary information can be obtained from the 2021-22 annual report of the University of California Retirement System, which can be obtained at: http://reportingtransparency.universityofcalifornia.edu.

Photo by *David Esquivel/UCLA*, 2022 Commencement

For more information, contact Financial Management and Reporting at FinMgmtRptg@finance.ucla.edu

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